CITY OF McKINNEY, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED
SEPTEMBER 30, 2018

5

MOST TRANSPARENT CITY IN TEXAS

The First City and Government Entity To Earn All Five Transparency Stars from the Texas Comptroller

TRADITIONAL FINANCES

CONTRACTS & PROCUREMENT

ECONOMIC DEVELOPMENT

PUBLIC PENSIONS

DEBT OBLIGATIONS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED
SEPTEMBER 30, 2018

AS PREPARED BY

FINANCIAL SERVICES

McKINNEY™
TEXAS
Unique by nature.SM

CITY OF MCKINNEY, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

TABLE OF CONTENTS

Page

I. INTRODUCTORY SECTION

Letter of Transmittal i
GFOA Certificate of Achievement vi
Organizational Chart vii
City Officials viii

II. FINANCIAL SECTION

Independent Auditor's Report 1

A. MANAGEMENT'S DISCUSSION AND ANALYSIS 4

B. BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements
Statement of Net Position 15
Statement of Activities 16

Fund Financial Statements

Governmental Fund Financial Statements
Balance Sheet 18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position 19
Statement of Revenues, Expenditures and Changes in Fund Balance 20
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities 21
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (GAAP Basis) and Actual – General Fund 22

Proprietary Fund Financial Statements
Statement of Net Position 23
Statement of Revenues, Expenses and Changes in Fund Net Position 25
Statement of Cash Flows 26

Fiduciary Fund Financial Statements
Statement of Agency Assets and Liabilities 27

Discretely Presented Component Units
Statement of Net Position 28
Statement of Revenues, Expenses and Changes in Fund Net Position 29

Notes to the Basic Financial Statements 31

C. REQUIRED SUPPLEMENTARY INFORMATION
Texas Municipal Retirement System – Schedule of Changes in Net Pension Liability and Related Ratios 77
Texas Municipal Retirement System – Schedule of Contributions 78
Schedule of Changes in the City's Total OPEB Liability and Related Ratios (Insurance Plan) 79
Schedule of Changes in the City's Total OPEB Liability and Related Ratios (SPDF) 80

D. COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES
Budgetary Comparison Schedule (GAAP Basis) – Debt Service Fund 81
Budgetary Comparison Schedule (GAAP Basis) – Capital Projects Fund 82

Page

Nonmajor Governmental Funds

Listing of Nonmajor Special Revenue Funds and Capital Projects Funds 83
Combining Balance Sheet 84
Combining Statement of Revenues, Expenditures and Changes in Fund Balance 86
Budgetary Comparison Schedule (GAAP Basis) – Hotel/Motel Fund 88
Budgetary Comparison Schedule (GAAP Basis) – Law Enforcement Fund 89
Budgetary Comparison Schedule (GAAP Basis) – Donations Fund 90
Budgetary Comparison Schedule (GAAP Basis) – Community Housing Fund 91
Budgetary Comparison Schedule (GAAP Basis) – Grants Fund 92
Budgetary Comparison Schedule (GAAP Basis) – Urban Transit District Fund 93
Budgetary Comparison Schedule (GAAP Basis) – Housing Finance Fund 94
Budgetary Comparison Schedule (GAAP Basis) – TIRZ 1 Fund 95
Budgetary Comparison Schedule (GAAP Basis) – TIRZ 2 Fund 96
Budgetary Comparison Schedule (GAAP Basis) – PEG Cable Channel Fund 97
Budgetary Comparison Schedule (GAAP Basis) – Technology Improvement Fund 98

Nonmajor Enterprise Funds

Listing of Nonmajor Enterprise and Internal Service Funds 99
Combining Statement of Net Position 100
Combining Statement of Revenues, Expenses and Changes in Fund Net Position 101
Combining Statement of Cash Flows 102

Internal Service Funds

Statement of Net Position 103
Statement of Revenues, Expenses and Changes in Fund Net Position 104
Statement of Cash Flows 105

Fiduciary Funds

Statement of Changes in Agency Assets and Liabilities 106

Discretely Presented Component Units

Listing of Discretely Presented Component Units 107
Balance Sheet – McKinney Economic Development Corporation 108
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position – McKinney Economic Development Corporation 109
Statement of Revenues, Expenditures and Changes in Fund Balance – McKinney Economic Development Corporation 110
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities – McKinney Economic Development Corporation 111
Balance Sheet – McKinney Community Development Corporation 112
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position – McKinney Community Development Corporation 113
Statement of Revenues, Expenditures and Changes in Fund Balance – McKinney Community Development Corporation 114
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities – McKinney Community Development Corporation 115

Page

Discretely Presented Component Units (Continued)

Balance Sheet – McKinney Convention and Visitors Bureau 116

Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position – McKinney Convention and Visitors Bureau 117

Statement of Revenues, Expenditures and Changes in Fund Balance – McKinney Convention and Visitors Bureau 118

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities – McKinney Convention and Visitors Bureau 119

Balance Sheet – McKinney Main Street 120

Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position – McKinney Main Street 121

Statement of Revenues, Expenditures and Changes in Fund Balance – McKinney Main Street 122

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities – McKinney Main Street 123

III. STATISTICAL SECTION

	Table	Page
Statistical Section Table of Contents		124
Net Position by Component – Accrual Basis of Accounting	1	125
Changes in Net Position – Accrual Basis of Accounting	2	127
Fund Balances, Governmental Funds – Accrual Basis of Accounting	3	131
Changes in Fund Balances, Governmental Funds – Modified Accrual Basis of Accounting	4	133
Assessed Value of Taxable Property – Per $100 of Assessed Value	5	135
Direct and Overlapping Property Tax Rates – Per $100 of Assessed Value	6	136
Principal Tax Payers	7	137
Ad Valorem Tax Levies and Collections	8	138
Ratio of Outstanding Debt by Type	9	139
Ratio of General Bonded Debt Outstanding	10	140
Legal Debt Margin Information	11	141
Direct and Overlapping Governmental Activities Debt	12	142
Pledged-Revenue Coverage	13	143
Demographic and Economic Statistics	14	144
Principal Employers	15	145
Full-Time Equivalent City Government Employees by Function/Program	16	146
Operating Indicators by Function/Program	17	147
Capital Asset Statistics by Function/Program	18	149

McKINNEY™
TEXAS
Unique by nature.SM

INTRODUCTORY SECTION

McKINNEY™
TEXAS
Unique by nature.SM

January 30, 2019

Honorable Mayor and City Council,
City Manager,
Citizens of McKinney:

The Comprehensive Annual Financial Report (CAFR) of the City of McKinney, Texas (the City), for the fiscal year ended September 30, 2018, is hereby submitted in accordance with Section 46 of the City Charter.

This report provides the City Council, City staff, our citizens, our bondholders and other interested parties with detailed information concerning the financial condition and activities of the City government. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City.

To the best of our knowledge and belief the enclosed data is accurate in all material respects, and is organized in a manner designed to fairly present the financial position and results of operations of the City as measured by the financial activity of its various funds. We also believe that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

BKD, LLP, Certified Public Accountants, has issued unmodified ("clean") opinions on the City of McKinney's financial statements for the year ended September 30, 2018. The independent auditor's report is located at the front of the financial section of this report.
Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and the two should be read in conjunction with each other.

CITY OF MCKINNEY PROFILE

The City of McKinney, incorporated in 1848, is located in central Collin County, Texas, 30 miles north of downtown Dallas, on U.S. Highway 75. The City currently occupies a land area of 68 square miles and serves a population of approximately 187,802 as of January 2019. The City is empowered to levy property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically, when deemed appropriate by the governing council.

The City Council is comprised of a mayor and six members and is responsible for enacting ordinances, resolutions, and regulations governing the City, as well as appointing the members of various statutory and advisory boards, the City Manager, City Attorney, and Municipal Judges. The mayor and the council members are elected on a non-partisan basis. Both the mayor and council members serve four-year terms. Four of the council members are elected by district. The mayor and the two remaining council members are elected at large. The City Manager is the chief administrative officer of the government and is responsible for the enforcement of laws and ordinances, the appointment and supervision of the directors and heads of departments, and the performance of functions within the municipal organization.

The City of McKinney provides a full range of services including police, fire, emergency ambulance service, library, parks, recreation, water, sewer, airport, refuse collection and disposal, golf, traffic engineering, streets and infrastructure, community development (planning and zoning), economic development, public improvements, and general administrative services.

The financial reporting entity includes all funds of the primary government (i.e., the City of McKinney as legally defined), as well as these separate legal entities: the McKinney Urban Transit District and the Housing Finance Corporation. These entities are reported as governmental activities. Additionally, the financial statements include McKinney Economic Development Corporation (MEDC), McKinney Community Development Corporation (MCDC), McKinney Convention and Visitors Bureau (MCVB), and McKinney Main Street (MMS). These separate legal entities are reported as discrete component units on the government-wide statements.

LOCAL ECONOMY

McKinney has been one of the fastest growing cities in America since 2000. The City currently estimates population at 187,802. Compared to 131,000 in the 2010 census and 54,000 in the 2000 census, this is an increase of 43% and 248%, respectively.

This growth is due in large part to corporate relocations in McKinney's neighboring cities, including Toyota, State Farm Insurance, Liberty Mutual Insurance and the Dallas Cowboys. These major employers in Collin County create a positive economic overflow for McKinney through increased residential demand resulting in higher assessed values on property. In perspective, McKinney's assessed taxable values have increased 80% since fiscal year 2010.

In an effort to spur our economic growth in McKinney, the City works in conjunction with MEDC and MCDC to make McKinney rich with industry. McKinney is the home to major medical technology, data management, manufacturing, aviation, defense, mixed-use, office and retail. Companies range from Fortune 500 corporations to home-grown businesses. The impressive list includes: Raytheon, Encore Wire, Playful, Baylor Medical Center at McKinney, Medical Center of McKinney, Torchmark/United American Ins., UPS, PACCAR, Independent Bank, and Service First Mortgage.

The small business community is equally important to the vitality of McKinney's economy. McKinney's 170-year old city center, one of the oldest authentic historic downtowns in Texas, serves as a thriving retail, dining, entertainment and business destination with over 120 unique small businesses. In 2018, city-incentivized projects including a nine acre mixed-use development and the Playful corporate headquarters opened, adding to the uniqueness of downtown McKinney and amplifying the success of local merchants.

McKinney's growth and development over the past decade have been built on a strong foundation of overall planning, management, quality of life, and policy direction. All in all, the picture of McKinney is one of a vital community, facing the economic challenges and opportunities of the future with optimism and forethought.

LONG-TERM FINANCIAL PLANNING

In February 2015, City Council formally adopted its first ten-year financial plans for the General Obligation Debt Service Fund and the General Fund. These longer range planning documents help capture the larger scope of projects that will accommodate and foster future growth, while maintaining financial stability. Both plans are updated and reviewed annually by Council during the budget process.

In 2016, the City completed a long term water/wastewater rate study that included the capital improvement needs in the foreseeable future. This study made rate suggestions that includes passing through all North Texas Municipal Water rate increases at a minimum. This rate philosophy was adopted by the City Council, and is revisited on an annual basis during the budget process.

GENERAL OBLIGATION DEBT SERVICE LONG-TERM FINANCIAL PLAN
This ten-year plan was developed and adopted to pair the City's long-term debt capacity with the City's capital project financing needs. This plan is being used to guide a 2019 bond referendum for voter authorization towards projects planned over the next ten years.

Revenues for the plan, which come from property taxes, are projected at conservative levels and are compared to future estimates of debt service payments. The primary variables are the rate of increase in property tax, debt issuances and new capital improvement projects planned during the projection period. It is the City's policy that the percentage of tax rate allocated to debt services will not be more than 35%.

GENERAL FUND LONG-TERM FINANCIAL PLAN
This plan accounts for the future operating needs of the General Fund. It takes into consideration increased operational demands as result of McKinney expected population growth, as well as the operational impact of the capital projects outlined in the General Obligation Debt Service Long-Term plan.

Revenues for the General Fund plan are projected at conservative levels and are compared to expenditure increase estimates. The primary variables are the rate of increase in revenues and new projects or programs planned during the projection period. The City's General Fund revenue primarily comes from property taxes, sales tax and franchise fees. The remainder comes from licenses/permits, charges for service, fines and interest income.

FIVE-YEAR CAPITAL IMPROVEMENT PLAN
During the annual budget process, the City of McKinney publishes a capital improvement plan, which outlines the first five years of projects contained within the General Obligation Debt Service Long-Term financial plan and the water/wastewater rate study. The City annually evaluates the need to issue debt using the five-year capital improvement plan, staying within the guidelines of the approved debt policy and the General Obligation Debt Service ten-year financial plan.

RELEVANT FINANCIAL POLICIES

The City's financial policies set forth the basic framework for the fiscal management of the City. These include policies for accounting, budgeting, capital improvements, asset management, revenue management, and fund balance/reserve levels. These policies were developed within the parameters established by applicable provisions of the Texas Local Government Code and the City of McKinney City Charter. The policies are to be reviewed on an annual basis and modified to accommodate changing circumstances or conditions.

The City's accounting records for general governmental funds are maintained on a modified accrual basis, with the revenues being recorded when available and measurable and expenditures being recorded when the services of goods are received and the liabilities are incurred. Accounting records for the City's water and sewer utility and other proprietary activities are maintained on the accrual basis.

In developing and maintaining the City's accounting system, consideration is given to the adequacy of the internal control structure. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets; and (3) compliance with all applicable rules, regulations and contractual requirements. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary control is maintained at the fund level. All annual appropriations lapse at fiscal year-end and do not constitute expenditures or liabilities since the commitments will be re-appropriated and honored the subsequent fiscal year.

The annual budget serves as the foundation for the City of McKinney's financial planning and control. All requests for appropriation by the departments, divisions, and component units of the City of McKinney shall be furnished to the City Manager on or before August 1st each year. A proposed budget is presented to the City Council for review on or before August 15th. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than September 30th, the close of the City's fiscal year. The appropriated budget is prepared by fund, function (e.g. public safety), and department (e.g. police). Transfer of appropriations within a department and within funds may be made with approval from the City Manager or his designee. Transfers between funds or additional appropriation require the approval of the City Council.

MAJOR INITIATIVES

The City of McKinney undertakes major initiatives based on City Council goals and strategies, dubbed as "McKinney First." These are the building blocks for McKinney's success.

MAXIMIZING THE POTENTIAL OF THE MCKINNEY NATIONAL AIRPORT
The City of McKinney is devoted to growing the present and future economic wealth within the City, and the McKinney National Airport is a driving force in keeping pace with the economic trends in North Texas. The McKinney National Airport currently has an economic impact of more than $212 million annually to the City of McKinney and its surrounding region, according to the 2018 Texas Aviation Economic Impact Study. This represents a 382 percent increase from the previous study published in 2011. The master plan identified the need for additional land surrounding the airport, leading the City to purchase 184 acres in fiscal year 2018.

DIRECTION FOR STRATEGIC AND ECONOMIC GROWTH
The City of McKinney, in partnership with MEDC and MCDC, provide development incentive agreements to businesses that will improve the economic and social well-being of its citizens. Major projects incentivized in 2018 include, Independent Bank breaking ground on its new corporate headquarters bringing four hundred new jobs to the City and PACCAR, a Fortune 500 company, breaking ground on its new manufacturing facility. The MEDC also purchased more than one hundred acres of land intended for a planned high-tech corridor along S.H. 121.

ENHANCE THE QUALITY OF LIFE IN MCKINNEY
The City of McKinney is committed to leisure and recreational opportunities that enrich the quality of life for residents and visitors. In 2018 the City opened its first all abilities playground designed for children with special needs. In the upcoming year, the John & Judy Gay Library will expand and double the public access space. It will include additional teen, adult and toddler areas, two multipurpose rooms, outdoor program space and additional parking.

OPERATIONAL EXCELLENCE
The City of McKinney holds transparency to be one of its highest values in achieving operational excellence. The city offers substantial transparency measures in an ongoing effort to provide a more open government, and continues to add more ways residents can learn about city activities. The City maintains a transparency page on its website which offers news, projects, financial information, agendas, legal updates, hot topics, and other initiatives in one location. The site also includes an interactive financial reporting tool and a performance insight tracking tool to show how city departments are performing against City Council and department goals.

CAPITAL PROJECT INITIATIVES

For Fiscal Year 2017-18, major project initiatives for the City of McKinney included completion of Fire Station #9, Phase 3 of the Public Safety Building, land acquisition and aircraft storage hangar at McKinney National Airport, infrastructure improvements on Cole Street from Bass to College, replacement of playground equipment at Winniford Park and the Community Center, and the addition of three new hike/bike trails. Construction began on the Gabe Nesbitt Tennis Center expansion and design started for Fire Station #10. In addition, design and construction continued for various water and street improvements throughout the City.

For Fiscal Year 2018-19, major project initiatives for the City of McKinney will include completion of the FBO terminal and new 40,000 square-foot transient hangar at McKinney National Airport. Several parks projects are also set to be completed – the Gabe Nesbitt Tennis Center expansion, Bonnie Wenk Park Phase 2, George Webb Park, and the Old Settler's Recreation Center renovation. Design will begin on the Airport's Customs building, Prestwyck Neighborhood Park, improvements for Finch Park, and the renovation of Cottonwood Park. Numerous street and water/wastewater improvement projects are moving forward to support population expansion as well as addressing some of our aging infrastructure needs.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of McKinney for its CAFR for the fiscal year ended September 30, 2017. This was the thirty-fourth consecutive year the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both GAAP and applicable legal requirements.

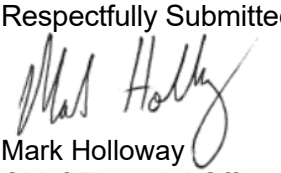
A Certificate of Achievement is valid for a period of one year only. The current CAFR will be submitted to the GFOA where we expect it to meet the Certificate of Achievement eligibility requirements.

The City also received the GFOA's Award for Distinguished Budget Presentation for its annual program of services dated October 1, 2017. This is the thirty-fourth consecutive year the City has received the award. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories including policy document, financial plan, operations guide, and communications device.

Also in 2018, McKinney maintained its five Texas Comptroller of Public Accounts Transparency Stars for Traditional Finances, Debt Obligations, Contracts and Procurement, Economic Development, and Public Pensions. This award program recognizes local governments across Texas for going above and beyond in their transparency efforts. The Texas comptroller received one hundred and forty-nine applications from local entities, of which only eight received the maximum five Transparency Stars.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Financial Services Department, our Audit Committee, and our independent auditors. We would like to express our sincere appreciation to those persons who have made possible the publication of this report. Credit also must be given to the Mayor, City Council and the City Manager's Office for their support for maintaining the highest standards of professionalism in the management of the City of McKinney's finances.

Respectfully Submitted,



Mark Holloway
Chief Financial Officer

McKINNEY™
TEXAS
Unique by nature.SM

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of McKinney

Texas

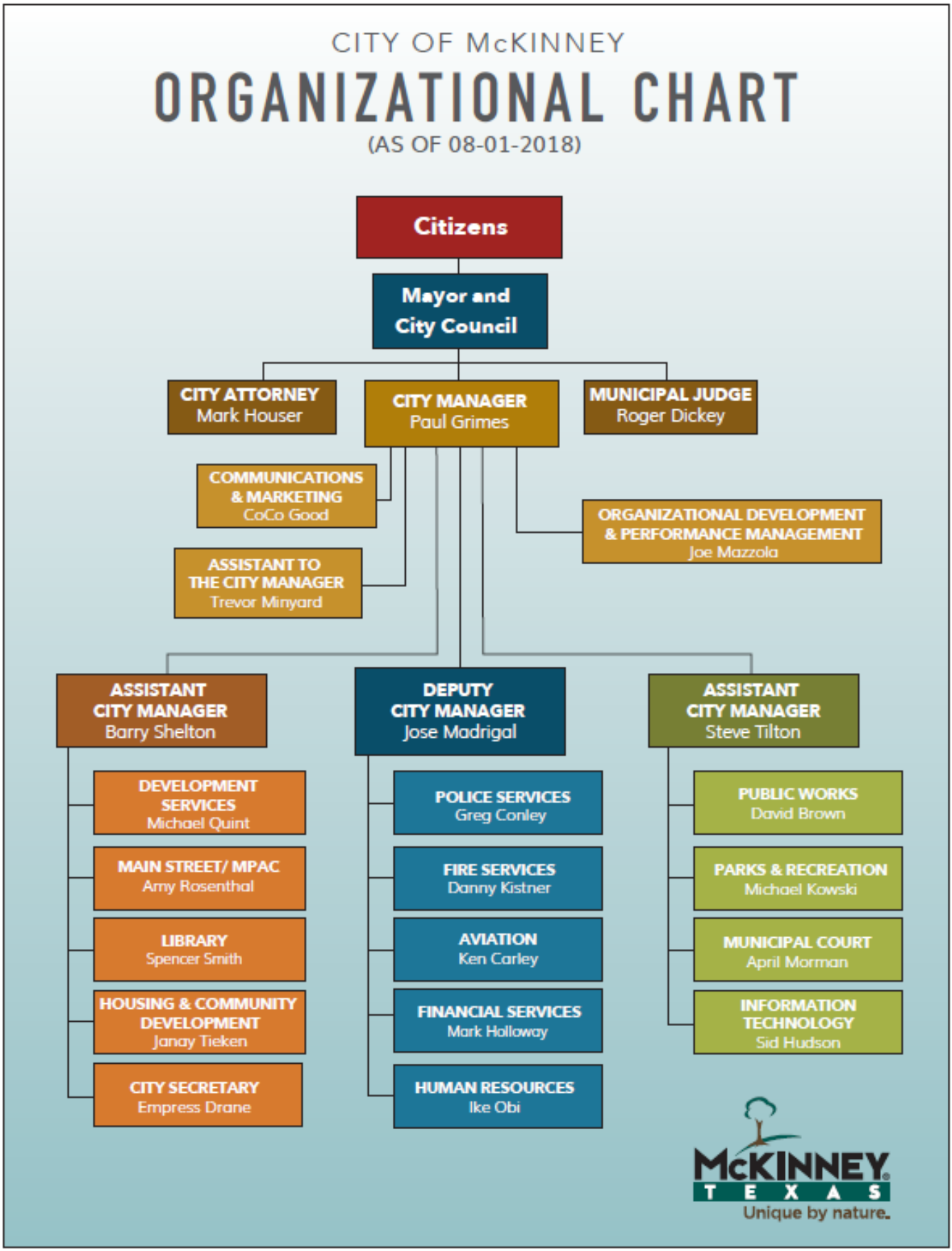
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2017

Christopher P. Morrill

Executive Director/CEO

McKINNEY™
TEXAS
Unique by nature.SM


CITY OF McKINNEY
ORGANIZATIONAL CHART
(AS OF 08-01-2018)
Citizens
Mayor and City Council
CITY ATTORNEY Mark Houser
CITY MANAGER Paul Grimes
MUNICIPAL JUDGE Roger Dickey
COMMUNICATIONS & MARKETING CoCo Good
ASSISTANT TO THE CITY MANAGER Trevor Minyard
ORGANIZATIONAL DEVELOPMENT & PERFORMANCE MANAGEMENT Joe Mazzola
ASSISTANT CITY MANAGER Barry Shelton
DEPUTY CITY MANAGER Jose Madrigal
ASSISTANT CITY MANAGER Steve Tilton
DEVELOPMENT SERVICES Michael Quint
MAIN STREET/ MPAC Amy Rosenthal
LIBRARY Spencer Smith
HOUSING & COMMUNITY DEVELOPMENT Janay Tieken
CITY SECRETARY Empress Drane
POLICE SERVICES Greg Conley
FIRE SERVICES Danny Kistner
AVIATION Ken Carley
FINANCIAL SERVICES Mark Holloway
HUMAN RESOURCES Ike Obi
PUBLIC WORKS David Brown
PARKS & RECREATION Michael Kowski
MUNICIPAL COURT April Morman
INFORMATION TECHNOLOGY Sid Hudson
McKINNEY TEXAS
Unique by nature.

McKINNEY™
TEXAS
Unique by nature.SM

CITY OF McKINNEY, TEXAS
CITY OFFICIALS

CITY COUNCIL

George Fuller, Mayor
Tracy Rath, Mayor Pro Tem
Chuck Branch
Scott Elliott
Charlie Philips
Rainey Rogers
La'Shadion Shemwell

CITY MANAGER

Paul Grimes

DEPUTY CITY MANAGER

Jose Madrigal

ASSISTANT CITY MANAGERS

Barry Shelton
Steve Tilton

CHIEF FINANCIAL OFFICER

Mark Holloway

McKINNEY™
TEXAS
Unique by nature.SM

FINANCIAL SECTION

McKINNEY™
TEXAS
Unique by nature.SM

BKD
CPAs & Advisors

14241 Dallas Parkway, Suite 1100 | Dallas, TX 75254-2961
972.702.8262 | Fax 972.702.0673 | bkd.com

Independent Auditor's Report

Members of the City Council
City of McKinney, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of McKinney (City), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Praxity
MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in *Note 1* to the financial statements, in 2018 the City adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension and other postemployment benefit information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules, introductory and statistical sections as listed in the table of contents presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we also have issued our report dated January 30, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

BKD, LLP

Dallas, Texas
January 30, 2019

McKINNEY™
TEXAS
Unique by nature.SM

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of McKinney, we offer readers of the City of McKinney financial statements this narrative overview and analysis of the financial activities of the City of McKinney for the fiscal year ended September 30, 2018. Please read this in conjunction with the transmittal letter at the beginning of the report and the City's financial statements following this section.

I. FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of McKinney exceeded its liabilities and deferred inflows of resources at September 30, 2018, by $1,158 million (Net Position). Of this amount, $889 million (77%) are invested in capital assets which do not directly generate revenue and are not available to generate liquid capital. Net position restricted for specific purposes total $144 million (12%). The remaining $125 million (11%) is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

- The City of McKinney's net position increased by $81 million. This includes the impact of implementing GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which resulted in a restatement of beginning net position of $13M. Unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors, decreased by $44 million.

- At the close of the current fiscal year, the City of McKinney's governmental funds reported combined ending fund balances of $266 million, an increase of $16 million in comparison to the prior year. Approximately $53 million, or 20%, of the fund balance is available for spending at the government's discretion (unassigned fund balance).

- Within the combined fund balances, $7.8 million is nonspendable for inventory and prepaid items. Fund balance is restricted in the amounts of $5.6 million for debt service, $169.4 million is for street construction and other capital projects, and $6.8 million for courts, grants and the other external constraints of special revenue funds. Assignments of fund balance have been made in the amounts of $4.4 million for other postemployment benefits (OPEB), $17.4 million for capital equip replacement, $0.5 million for disaster relief and $0.5 million for public and performing arts. The remaining $53.5 million is unassigned fund balance in the general fund and can be used for any lawful purpose. The unassigned general fund balance is equal to 39% of total general fund expenditures. This represents 14% more than the fund balance policy requirement of 25%.

- On a government-wide basis, the City's total liabilities increased by $17 million or 3.8% during the current fiscal year. Major contributable factors include debt issuances resulting in netting a $12.8 million increase to bonds payable, and an increase in OPEB employment liabilities totaling $15.6 million.

II. OVERVIEW OF THE FINANCIAL STATEMENTS

Management's discussion and analysis is intended to serve as an introduction to the City of McKinney's basic financial statements. The City of McKinney's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government – Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of McKinney's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City of McKinney's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the total of assets and deferred outflows of resources and liabilities and deferred inflows of resources reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of McKinney is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

In the Statement of Net Position and the Statement of Activities, the City is divided into three kinds of activities:

- **Governmental Activities** – Most of the City's basic services are reported here, including administrative, police, fire, development, public works, parks and library. Property taxes, sales taxes, hotel occupancy taxes, franchise fees, licenses and permit fees finance most of these activities.

- **Business-type Activities** – The City charges a fee to customers to cover all or most of the cost of certain services it provides. The City's water and wastewater system, solid waste system, airport, golf course and surface water drainage system are reported here.

- **Component Units** – The City includes four separate legal entities in its report – McKinney Economic Development Corporation, McKinney Community Development Corporation, McKinney Convention and Visitors Bureau and McKinney Main Street. Although legally separate, these component units are important because the City is financially accountable for them.

The government-wide financial statements can be found on pages 15-17 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of McKinney, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of McKinney can be divided into three categories: governmental funds, proprietary funds including internal service funds and fiduciary funds.

- **Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of McKinney maintains fourteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, debt service fund and capital projects fund, all of which are considered to be major funds. Data from the other eleven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of McKinney adopts an annual appropriated budget for its general fund, debt service fund, capital projects fund, nonmajor special revenue funds and the nonmajor capital projects fund. Budgetary comparison statements have been provided for each of these funds to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 18-22.

- **Proprietary Funds.** The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. There are two types of proprietary funds: enterprise funds and internal service funds. The City's proprietary fund financial statements are identical to the business-type activities that are reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. Because these services benefit both governmental as well as business-type functions, they have been included in both the governmental and business-type activities in the government-wide financial statements.

  The City of McKinney maintains five individual enterprise funds to account for its water and wastewater, airport, solid waste, golf course and surface water drainage. The water and wastewater fund and airport fund are considered major funds, while the solid waste fund, golf course fund and surface water drainage fund are considered as nonmajor funds of the City. Individual fund data for each of these funds is provided in the form of combining statements in this report.

  The City of McKinney uses the internal service funds as an accounting device to accumulate and allocate costs internally among the City's various functions. The City maintains two internal service funds, one to account for the claims of the City's self-funded insurance program and risk management program and one to account for the costs associated with the maintenance of the City's operation and service vehicles.

  The basic proprietary fund financial statements can be found on pages 23-26.

- **Fiduciary Responsibilities.** The City is the trustee, or fiduciary, for certain amounts held on behalf of developers, property owners and others. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Position. The activities of these funds are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

  The basic fiduciary fund financial statements can be found on page 27.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-76.

Other Information. In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City of McKinney's progress in funding its obligation to provide pension benefits and other postemployment benefits to its employees, which can be found on pages 77-80.

The combining statements referred to earlier in connection with the nonmajor governmental funds, nonmajor enterprise funds and discretely presented component units are presented immediately following the required supplementary information on pensions. Combining statements and individual fund statements can be found on pages 81-123 of this report.

III. GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of McKinney, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $1,158 million as of September 30, 2018.

By far the largest portion of the City's net position, $889 million or 77% reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

An additional portion of the City of McKinney's net position, $144 million or 12%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, $125 million or 11% may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City reported a positive balance in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The net position for governmental activities and business-type activities is summarized as follows (in thousands):

	Governmental Activities		Business-type Activities		Total	
	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017
ASSETS						
Current and other assets	$ 298,086	$ 285,977	$ 207,870	$ 182,363	$ 505,956	$ 468,340
Capital assets	614,647	592,432	498,351	448,123	1,112,998	1,040,555
Total Assets	912,733	878,409	706,221	630,486	1,618,954	1,508,895
DEFERRED OUTFLOWS OF RESOURCES	12,363	17,199	7,231	8,447	19,594	25,646
LIABILITIES						
Other liabilities	19,775	22,439	12,619	9,782	32,394	32,221
Long-term liabilities outstanding	314,571	302,795	126,211	121,040	440,782	423,835
Total Liabilities	334,346	325,234	138,830	130,822	473,176	456,056
DEFERRED INFLOWS OF RESOURCES	6,287	930	791	123	7,078	1,053
NET POSITION						
Net investment in capital assets	440,381	403,720	448,604	391,997	888,985	795,717
Restricted	127,255	96,684	17,302	15,836	144,557	112,520
Unrestricted	16,827	69,040	107,924	100,155	124,751	169,195
Total Net Position	$ 584,463	$ 569,444	$ 573,830	$ 507,988	$ 1,158,293	$ 1,077,432

The City of McKinney's net position increased by $81 million during the current fiscal year. This was driven by an increase in governmental net position of $15 million, and an increase in business-type activities net position of $66 million. Details are listed in the table below and discussed on pages 8-10.

Changes in Net Position (in thousands)

	Governmental Activities		Business-type Activities		Total	
	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017
REVENUES						
Program revenues:						
Charges for services	$ 28,232	$ 25,975	$ 112,156	$ 97,646	$ 140,388	$ 123,621
Operating grants and contributions	2,762	3,303	32	50	2,794	3,353
Capital grants and contributions	50,241	104,025	38,938	30,423	89,179	134,448
General revenues:						
Property taxes	107,281	101,593	-	-	107,281	101,593
Sales taxes	29,079	27,118	-	-	29,079	27,118
Franchise taxes	16,253	14,790	-	-	16,253	14,790
Other taxes and fees	338	2,651	-	-	338	2,651
Investment income	3,995	2,315	3,892	1,829	7,887	4,144
Other revenues	820	11,936	314	1,740	1,134	13,676
Total Revenues	239,001	293,706	155,332	131,688	394,333	425,394
EXPENSES						
General government	35,050	34,347	-	-	35,050	34,347
Police	34,855	31,472	-	-	34,855	31,472
Fire	31,327	27,404	-	-	31,327	27,404
Libraries	3,968	3,820	-	-	3,968	3,820
Development	11,993	10,745	-	-	11,993	10,745
Parks and recreation	20,227	16,517	-	-	20,227	16,517
Public works	47,181	44,061	-	-	47,181	44,061
Interest on long-term debt	7,617	8,458	-	-	7,617	8,458
Airport	-	-	11,333	9,797	11,333	9,797
Water/Wastewater	-	-	86,521	74,365	86,521	74,365
Solid Waste	-	-	7,641	7,387	7,641	7,387
Golf Course	-	-	209	192	209	192
Surface Water Drainage	-	-	2,531	2,772	2,531	2,772
Total Expenses	192,218	176,824	108,235	94,513	300,453	271,337
Increase (Decrease) in Net Position Before Transfers	46,783	116,882	47,097	37,175	93,880	154,057
Transfers	(20,388)	1,597	20,388	(1,597)	-	-
Increase (Decrease) in Net Position	26,395	118,479	67,485	35,578	93,880	154,057
Net Position-Beginning, as Adjusted*	558,068	450,965	506,345	442,845	1,064,413	893,810
Net Position- Ending	$ 584,463	$ 569,444	$ 573,830	$ 478,423	$ 1,158,293	$ 1,047,867

* Net position was adjusted in 2018 for implementation of GASB No. 75, see *Note 1* .

Governmental Activities

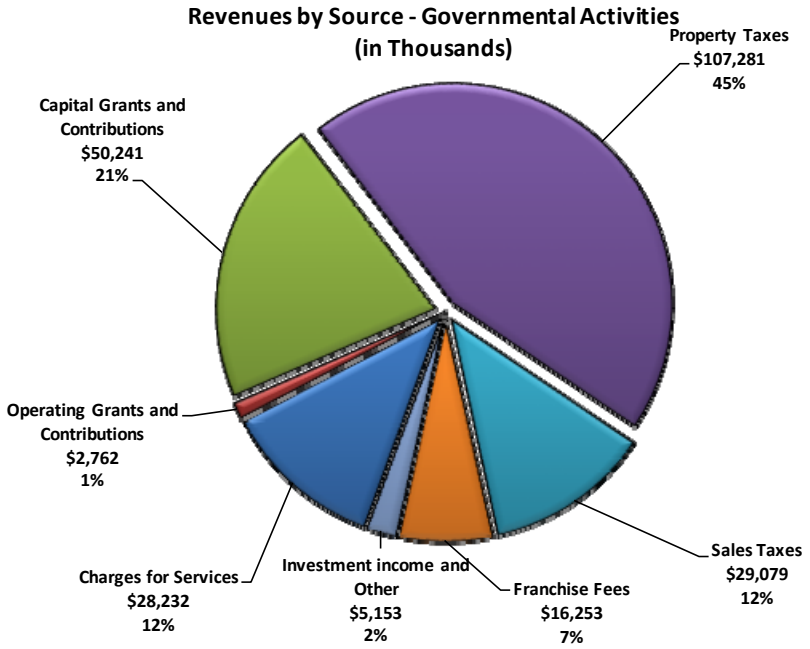
Governmental activities increased the City's net position by $26 million during the current fiscal year. The key elements of this increase are as follows:

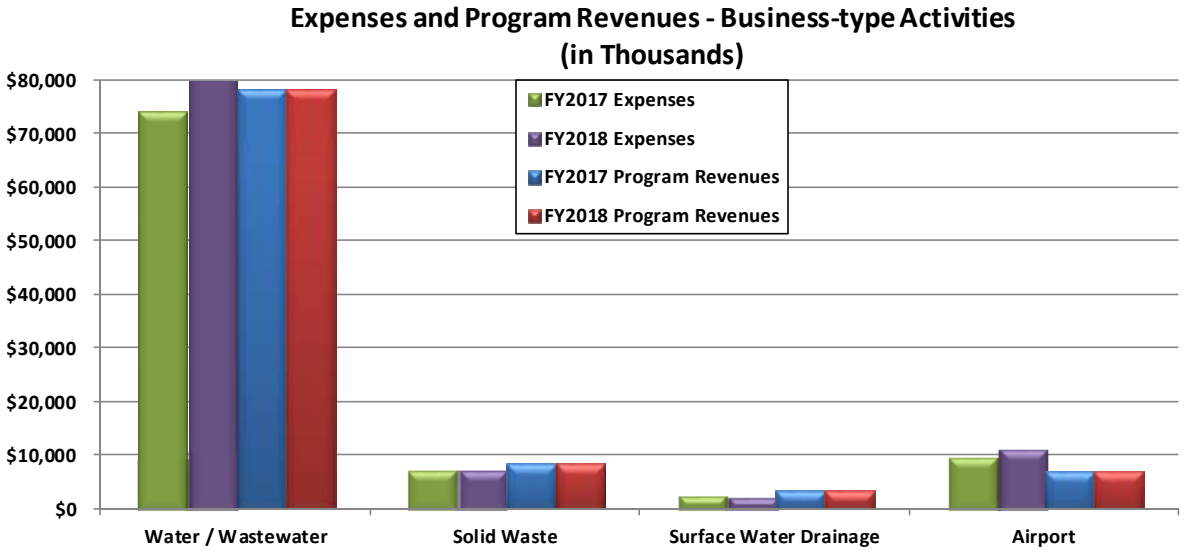
Revenues

- Property taxes increased by $5.7 million as a result of a 13.4% increase in certified taxable value.
- Sales taxes increased by $2.0 million, or 7% as a result of population and commercial growth in the area.
- Charges for services increased by $2.3 million resulting from an increase in memberships and program fees at the APEX aquatics and fitness center.

Expenses

- The City's governmental expenses increased by $15.4 million.
- The 2018 budget authorized 75 additional positions and a 4% merit pool for increased personnel costs of $10.4 million.
- Increased investment in capital assets triggered depreciation expense to rise by $4 million.





Business-type Activities

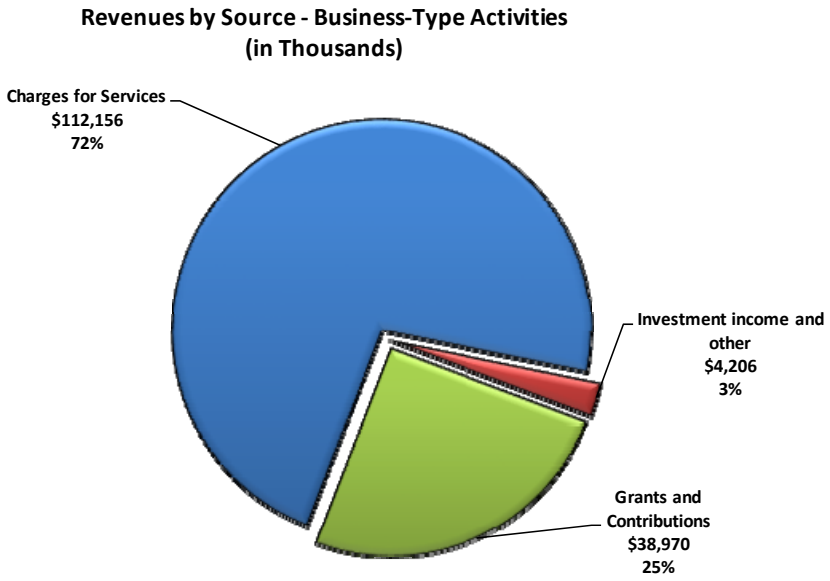
Business-type activities increased the City of McKinney's net position by $67 million, accounting for the increase in the government's net position. Key elements of this increase are as follows:

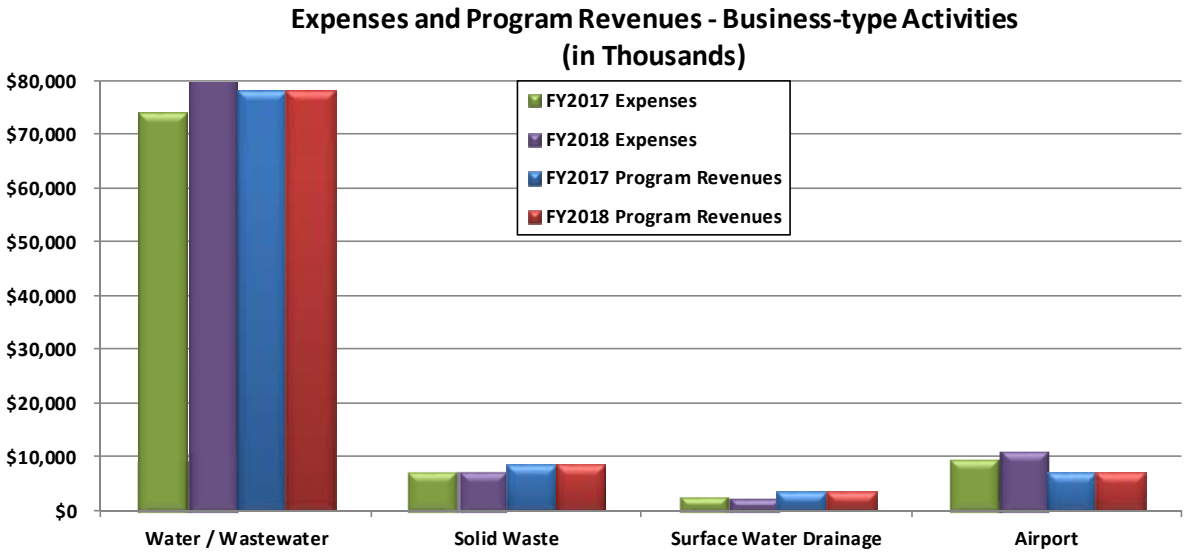
Revenues

- The Water/Wastewater Fund's operating revenues increased by $12.8 million, or 16% as a result of residential growth adding more than 2,400 new customer accounts and utility rate increases.
- The Water/Wastewater Fund received capital contributions of $38.9 million relating to increased development in the City.
- The Airport Fund's operating revenues increased by $1.1 million or 16% due to increases in air traffic resulting in greater fuel sales and associated use fees.

Expenses

- Operating expenses in the Water/Wastewater Fund increased $10.3 million mainly attributed to a $5.1 million increase in water purchase and sewer service charges from North Texas Municipal Water District and 6 new positions with an increased personnel budget of $1.08 million.





Financial Analysis of the City's Funds

Governmental Funds

The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the close of the current fiscal year, the governmental funds reported combined ending fund balances of $266 million, an increase of $16 million or 7% in comparison to the prior year. Approximately $53 million or 20% of this total amount constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is either considered nonspendable, restricted, or assigned in conformance with GASB 54 requirements. Please see page 18 for financial details and page 40 for category definitions.

General Fund. The general fund is the chief operating fund of the City of McKinney. At the end of the current fiscal year, the unassigned general fund balance was $53 million, while total fund balance was $77 million. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 39% of total general fund expenditures.

The original budget included a planned increase in fund balance of $1.6 million. However, the general fund balance decreased by $3.6 million or 4.5% during the current fiscal year. This was the result of a mid-year budget amendment to transfer $8 million to the airport fund for the acquisition of land offset by revenues exceeding original budget by $2.6 million primarily related to increased franchise fees and charges for services.

Debt Service Fund. The debt service fund had a total fund balance of $5.6 million, an increase of $944 thousand over the prior year. Higher property valuations and increased investment income outweighed the City's annual debt service requirements.

Capital Projects Fund. The governmental capital projects fund has an ending fund balance of $156 million. Total expenditures for the current year were $33 million. The large fund balance is due primarily to the issuance of long-term debt during the fiscal year. A second factor contributing to the large fund balance is the result of many unfinished projects. Most of the projects have long duration due to acquisition of right-of-way and construction phases. Major expenditures incurred during the current year include Fire Station #9 construction, Public Safety Building expansion, Bonnie Wenk Park improvements, and several major road extensions.

Proprietary Funds

The City's proprietary funds provide the same type of information that is found in the government-wide financial statements for business-type activities, but in more detail. At September 30, 2018, net position of the proprietary funds included the following amounts of net position:

Water and Wastewater Fund. Water and Wastewater Fund net position increased by $36 million resulting primarily from capital contributions. Operating revenues totaled $91 million, an increase of $12 million, or 16% over the prior year due to residential development resulting in approximately 2,400 new service locations and budgeted rate increases. Operating expenses in the Water and Wastewater Fund were $82 million, an increase of $10 million or 14% over the prior year, primarily a result of the significant increases in NTMWD water purchase rates and sewer service charges.

Airport Fund. The City's Airport Fund ended the year with a net position of $124.8 million, which was an increase of $28.2 million compared to the previous year. This increase was mainly attributed to a mid-year council decision to transfer excess fund balances from various other funds to the airport for land acquisition of $22 million. The unrestricted net position of the Airport Fund increased by $4.8 million or 42.5% during the current fiscal year. Operating revenues increased by $1.1 million for the year due to higher fuel sales and hangar leases, totaling $8.3 million. Operating expenses were $11.3 million which were $1.5 million higher than the previous year for the increased purchase of fuel for resale.

Solid Waste Fund. The City's Solid Waste Fund net position increased by $1.0 million. Operating revenues totaled $8.9 million, which was a $0.4 million increase as compared to the previous year. Operating expenses were $7.6 million which were $0.3 million higher than the previous year.

Golf Course Fund. The Golf Course Fund had an operating loss of $0.1 million. Revenues were approximately $0.1 million which was the contract fee. Expense was primarily city constructed maintenance improvements and depreciation totaling $0.2 million. In October 2008, the management of the golf course was outsourced to a contractor, DWW Golf Management. The contractor is responsible for collecting all revenues and budgeting for operating expenses. Under the contract terms, the City of McKinney collects an amount equal to 8% of gross revenues.

Surface Water Drainage Fund. The Surface Water Drainage Fund operated with charges for services revenues exceeding operating expenses by $1.2 million. Charges for services remained relatively consistent with the prior year at $3.8 million.

General Fund Budgetary Highlights

The actual FY2017-18 expenditures were $137.1 million, $6.9 million less than the final budget of $144 million. However, at the end of the year, $1 million of budgeted development studies, capital equipment replacements, and other various projects were not completed and will be re-appropriated to fiscal year 2019.

Actual revenues were $141.9 million or $0.5 million more than the $141.4 million budget plan. The final revenue budget was $2.1 million more than the original adopted budget attributable to the new APEX aquatic and fitness center exceeding membership expectations by $1 million in charges for services, and local residential growth driving up franchise and permit fees by $1.1 million.

IV. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. At the end of the fiscal year, the City had $1.11 billion invested in a broad range of capital assets, including land and buildings, roads, bridges, drainage systems, park facilities, and police and fire equipment. This amount represents a net increase (including additions and deductions) of $72 million over the prior fiscal year.

Capital assets, net of accumulated depreciation in thousands, for governmental activities and business-type activities are summarized as follows:

	Governmental Activities		Business-type Activities		Total	
	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017
Land	$ 37,790	$ 32,847	$ 52,373	$ 29,989	$ 90,163	$ 62,836
Works of art	32	26	-	-	32	26
Construction in progress	37,527	36,002	23,662	8,840	61,189	44,842
Buildings	136,763	126,241	27,648	27,693	164,411	153,934
Infrastructure	376,796	375,447	388,886	375,448	765,682	750,895
Machinery and equipment	25,726	21,843	5,782	6,153	31,508	27,996
Service animals	13	26	-	-	13	26
Total	$ 614,647	$ 592,432	$ 498,351	$ 448,123	$ 1,112,998	$ 1,040,555

Major capital improvement projects completed or in progress during the current fiscal year were:

Project	($ in Thousands)
AIRPORT LAND ACQUISITION 2017-18	$ 22,384
BONNIE WENK PARK PH II	8,221
PUBLIC SAFETY BLDG PH 3	7,937
FIRE STATION #9 - LAKE FOREST/380	7,687
REDBUD PUMP STATION SITE DEVELOPMENT	6,523
VIRGINIA PKWY LANES 5&6 (BELLEGROVE - US 75)	6,224
TOYOTA HANGAR EXPANSION	5,517
VIRGINIA PKWY LANES 5 & 6 (RIDGE - BELLEGROVE)	4,445
GABE NESBITT TENNIS COURT EXPANSION	4,259
REDBUD PUMP STATION 794PP TRANSMISSION LINE	3,388

Additional information about the City's capital assets is presented in *Note (3) G* to the financial statements at pages 49-51.

.

Long-term Debt. At year end, the City had $375 million in general obligation bonds, certificates of obligation, tax notes and revenue bonds. The total debt was $363 million at the end of the prior fiscal year. This represents an increase of 3.5%. All outstanding debt is summarized below:

	Governmental Activities		Business-type Activities		Total	
	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017
General obligation bonds, certificates of obligations and tax notes (backed by the City)	$ 255,837	$ 247,904	$ -	$ -	$ 255,837	$ 247,904
Revenue bonds (backed by fee revenues)	-	-	119,653	114,747	119,653	114,747
Totals	$ 255,837	$ 247,904	$ 119,653	$ 114,747	$ 375,490	$ 362,651

In 2018, the City once again received the highest ratings issued from two major credit rating agencies for its general obligation (GO) bonds and renewal of its revenue bond ratings. Moody's Investors Service reaffirmed its Aaa rating for General Obligation Bonds and Aa2 for Water & Wastewater Revenue Bonds. Standard and Poor's reaffirmed its AAA rating for General Obligation Bonds and AA+ rating for Water & Wastewater Revenue Bonds.

Additional information on the long-term debt can be found in *Note (3) J* to the financial statements starting at page 53.

V. ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of McKinney, Texas continues to be financially strong. Although the economy is the primary factor, the City's elected and appointed officials considered many factors when setting the fiscal year 2019 budget, tax rates and fees that will be charged for the business-type activities. The priority for fiscal year 2019 continues to be maintaining quality service while observing prudent spending practices.

Highlights of the 2019 budget include:

- Balanced budget, with total revenues equal to or greater than total expenditures
- Property tax rate reduced over one and a half cents to $0.525170 cents per $100 assessed value
- Total City budget $470.2 million
- General Fund budget $149.1 million
- Increased and sustained funding for equipment and facilities improvements
- Budgeted supplemental funding of $18 million ($5.5 million for additional staff and other recurring costs, $12.5 million for one-time cost) to accommodate citywide departmental needs and operating impacts from Capital Improvement Program

The property tax rate for fiscal year 2019 decreased from $0.540199 to $0.525170 per $100 assessed value.

For fiscal year 2019, the water and wastewater (sewer) rates increase 5% and 7%, respectively, due to increased cost of service from the North Texas Municipal Water District (NTMWD). The monthly minimum residential water charge will increase from $15.45 to $16.20. The water volume rate will increase from $4.40 to $4.55 per thousand gallons. Residential and sprinkler/irrigation customers will be charged $5.75 per thousand gallons if the monthly consumption exceeds 20,000 gallons but less than 40,000 gallons; monthly consumption over 40,000 will be charged at $6.90 per thousand gallons. The monthly minimum wastewater rate will increase from $16.60 to $17.75. The wastewater volume rate will increase from $4.65 to $4.95 per thousand gallons of water used.

Requests for Information

The financial report is designed to provide a general overview of the City of McKinney's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, City of McKinney, 222 North Tennessee Street, McKinney, Texas 75069.

McKINNEY™
TEXAS
Unique by nature.SM

BASIC FINANCIAL STATEMENTS

McKINNEY™
TEXAS
Unique by nature.SM

CITY OF MCKINNEY, TEXAS
STATEMENT OF NET POSITION
GOVERNMENT-WIDE
SEPTEMBER 30, 2018

	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	$ 113,655,378	$ 28,341,918	$ 141,997,296	$ 45,661,876
Investments	67,620,860	37,985,316	105,606,176	9,595,730
Receivables (net of allowance for uncollectibles)	14,106,481	13,390,643	27,497,124	4,654,174
Internal balances	245,135	(245,135)	-	-
Due from other governments	577,789	32,291	610,080	-
Note receivable from component unit	-	815,999	815,999	-
Inventories	204,246	426,231	630,477	-
Prepaid items	7,784,956	10,004,285	17,789,241	91,104
Restricted:				
Cash and cash equivalents	93,891,462	95,652,813	189,544,275	1,721,796
Investments	-	21,376,056	21,376,056	-
Accrued interest receivable	-	89,539	89,539	-
Capital Assets:				
Nondepreciable	75,348,772	76,034,686	151,383,458	72,030,167
Depreciable (net)	539,298,080	422,315,836	961,613,916	1,884,688
Total Assets	912,733,159	706,220,478	1,618,953,637	135,639,535
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension outflows	10,153,807	1,278,613	11,432,420	204,688
Deferred OPEB outflows	858,948	83,968	942,916	13,442
Deferred charge for refunding	1,350,412	725,887	2,076,299	81,509
Excess consideration provided for acquisition	-	5,142,645	5,142,645	-
Total Deferred Outflows of Resources	12,363,167	7,231,113	19,594,280	299,639
LIABILITIES				
Accounts payable	8,668,506	6,459,408	15,127,914	706,402
Other accrued liabilities	7,638,527	2,198,415	9,836,942	71,795
Unearned revenue	950,035	-	950,035	1,515
Accrued interest payable	1,321,123	195,007	1,516,130	184,899
Deposits	1,197,180	3,766,984	4,964,164	-
Noncurrent liabilities				
Due within one year				
Note payable to primary government	-	-	-	815,999
Compensated absences	751,935	61,509	813,444	11,765
Bonds payable	27,723,601	7,715,242	35,438,843	3,835,000
Capital lease	299,825	-	299,825	-
Due in more than one year				
Compensated absences	11,126,976	910,186	12,037,162	174,136
Bonds payable	228,113,160	111,937,751	340,050,911	47,135,000
Capital lease	503,370	-	503,370	-
Net pension liability	29,957,095	3,772,333	33,729,428	603,900
Total OPEB liability	16,095,508	1,813,360	17,908,868	290,293
Total Liabilities	334,346,841	138,830,195	473,177,036	53,830,704
DEFERRED INFLOWS OF RESOURCES				
Deferred pension inflows	6,286,659	791,353	7,078,012	126,685
Total Deferred Inflows of Resources	6,286,659	791,353	7,078,012	126,685
NET POSITION				
Net investment in capital assets	440,381,046	448,604,533	888,985,579	23,718,425
Restricted for:				
Use of impact fees	-	10,286,227	10,286,227	-
Highways and streets	39,325,471	-	39,325,471	-
Debt service	5,550,814	7,015,666	12,566,480	1,721,796
Other capital projects	76,097,635	-	76,097,635	-
Public safety	520,453	-	520,453	-
Community development	5,082,730	-	5,082,730	-
Court	412,412	-	412,412	-
Library	84,924	-	84,924	-
Cultural and recreation	2,628	-	2,628	-
Grants	178,151	-	178,151	-
Unrestricted	16,826,562	107,923,617	124,750,179	56,541,564
Total Net Position	$ 584,462,826	$ 573,830,043	$ 1,158,292,869	$ 81,981,785

The accompanying notes to the basic financial statements are an integral part of this statement.

CITY OF MCKINNEY, TEXAS
STATEMENT OF ACTIVITIES
GOVERNMENT-WIDE
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
GOVERNMENTAL ACTIVITIES				
General government	$ 35,050,241	$ 8,566,014	$ 251,559	$ 142,364
Police	34,855,099	137,611	1,144,801	207,991
Fire	31,326,519	3,256,577	83,815	826,922
Libraries	3,968,132	52,211	14,168	-
Development	11,992,802	10,753,714	859,663	-
Parks and recreation	20,227,336	5,465,766	407,773	12,208,632
Public works	47,181,195	-	-	36,854,728
Interest on long-term debt	7,617,338	-	-	-
Total Governmental Activities	192,218,662	28,231,893	2,761,779	50,240,637
BUSINESS-TYPE ACTIVITIES				
Water/Wastewater	86,521,086	91,188,605	-	30,640,301
Solid Waste	7,640,500	8,864,585	-	-
Golf Course	209,085	31,086	-	-
Surface Water Drainage	2,531,085	3,756,789	-	-
Airport	11,332,572	8,315,001	32,291	8,297,220
Total Business-type Activities	108,234,328	112,156,066	32,291	38,937,521
Total Primary Government	$ 300,452,990	$ 140,387,959	$ 2,794,070	$ 89,178,158
COMPONENT UNITS				
McKinney Economic Development Corp	$ 8,210,512	$ -	$ -	$ -
McKinney Community Development Corp	7,997,528	-	-	-
McKinney Convention & Visitors Bureau	706,347	-	670,000	-
McKinney Main Street Corp	1,380,367	1,321,500	85,219	-
Total Component Units	$ 18,294,754	$ 1,321,500	$ 755,219	$ -

GENERAL REVENUES
- Property taxes
- Sales taxes
- Franchise taxes
- Other taxes
- Unrestricted investment earnings
- Miscellaneous

TRANSFERS

Total General Revenues and Transfers

Change in Net Position

Net Position, as Previously Reported

Adjustment for Adoption of GASB 75

Net Position, Beginning of Year, as Adjusted

Net Position, End of Year

The accompanying notes to the basic financial statements are an integral part of this statement.

Governmental Activities	Business-type Activities	Total	Component Units
$ (26,090,304)	$ -	$ (26,090,304)	$ -
(33,364,696)	-	(33,364,696)	-
(27,159,205)	-	(27,159,205)	-
(3,901,753)	-	(3,901,753)	-
(379,425)	-	(379,425)	-
(2,145,165)	-	(2,145,165)	-
(10,326,467)	-	(10,326,467)	-
(7,617,338)	-	(7,617,338)	-
(110,984,353)	-	(110,984,353)	-
-	35,307,820	35,307,820	-
-	1,224,085	1,224,085	-
-	(177,999)	(177,999)	-
-	1,225,704	1,225,704	-
-	5,311,940	5,311,940	-
-	42,891,550	42,891,550	-
$ (110,984,353)	$ 42,891,550	$ (68,092,803)	$ -
$ -	$ -	$ -	$ (8,210,512)
-	-	-	(7,997,528)
-	-	-	(36,347)
-	-	-	26,352
$ -	$ -	$ -	$ (16,218,035)
$ 107,281,843	$ -	$ 107,281,843	$ -
29,078,546	-	29,078,546	26,932,206
16,253,134	-	16,253,134	-
338,030	-	338,030	-
3,994,843	3,891,835	7,886,678	926,699
820,319	314,024	1,134,343	4,586
(20,387,661)	20,387,661	-	480
137,379,054	24,593,520	161,972,574	27,863,971
26,394,701	67,485,070	93,879,771	11,645,936
569,444,285	507,988,010	1,077,432,295	70,549,769
(11,376,160)	(1,643,037)	(13,019,197)	(213,920)
558,068,125	506,344,973	1,064,413,098	70,335,849
$ 584,462,826	$ 573,830,043	$ 1,158,292,869	$ 81,981,785

CITY OF MCKINNEY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 23,350,434	$ 5,510,912	$ 146,217,726	$ 26,781,874	$ 201,860,946
Investments	48,108,663	-	14,539,237	-	62,647,900
Receivables (net of allowance for uncollectibles)					
Delinquent property taxes	643,534	278,040	-	-	921,574
Accounts	3,061,616	-	-	2,524	3,064,140
Notes	1,156,052	-	-	-	1,156,052
Other taxes and fees	7,985,388	-	-	221,146	8,206,534
Accrued interest	277,301	-	104,650	-	381,951
Due from other funds	343,135	-	-	-	343,135
Due from other governments	87,831	-	309,702	180,256	577,789
Inventory	44,571	-	-	-	44,571
Prepaid items	7,674,570	-	-	96,403	7,770,973
Total Assets	$ 92,733,095	$ 5,788,952	$ 161,171,315	$ 27,282,203	$ 286,975,565
LIABILITIES					
Accounts payable	$ 4,531,883	$ 9,575	$ 2,890,843	$ 88,419	$ 7,520,720
Other accrued liabilities	5,544,128	-	1,936,390	84,050	7,564,568
Deposits	1,197,180	-	-	-	1,197,180
Due to other funds	-	-	-	98,000	98,000
Unearned revenue	900,454	-	37,558	12,023	950,035
Total Liabilities	12,173,645	9,575	4,864,791	282,492	17,330,503
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	3,666,836	228,563	-	-	3,895,399
Total Deferred Inflows of Resources	3,666,836	228,563	-	-	3,895,399
FUND BALANCES					
NONSPENDABLE:					
Inventory	44,571	-	-	-	44,571
Prepaid items	7,674,570	-	-	96,403	7,770,973
RESTRICTED:					
Debt service	-	5,550,814	-	-	5,550,814
Street construction	-	-	96,232,002	-	96,232,002
Capital projects	-	-	60,074,522	13,068,558	73,143,080
Law enforcement	-	-	-	488,596	488,596
Courts	412,412	-	-	-	412,412
Fire	-	-	-	31,857	31,857
PEG	-	-	-	1,504,203	1,504,203
Library	-	-	-	84,924	84,924
Community housing	-	-	-	224,977	224,977
Parks	-	-	-	2,628	2,628
Hotel/Motel	-	-	-	3,805,453	3,805,453
Transit	-	-	-	74,813	74,813
Grants	-	-	-	178,151	178,151
ASSIGNED:					
Capital equip replacement	9,926,152	-	-	7,439,148	17,365,300
Disaster relief	516,552	-	-	-	516,552
OPEB	4,374,343	-	-	-	4,374,343
Public & performing arts	460,935	-	-	-	460,935
UNASSIGNED	53,483,079	-	-	-	53,483,079
Total Fund Balances	76,892,614	5,550,814	156,306,524	26,999,711	265,749,663
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 92,733,095	$ 5,788,952	$ 161,171,315	$ 27,282,203	$ 286,975,565

The accompanying notes to the basic financial statements are an integral part of this statement.

CITY OF MCKINNEY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

Fund balances of governmental funds		$ 265,749,663
Amounts reported for governmental activities in the statement of net position are different because:		
Receivables not measureable and available within 60 days of year-end, and therefore are unavailable in the fund financial statements.		3,895,399
Capital assets (net of accumulated depreciation) used in governmental activities are not current financial resources and therefore are not reported as assets in the governmental funds. Capital assets are reported in the government-wide financial statements, net of accumulated depreciation.		614,440,327
Deferred outflows of resources and deferred inflows of resources represent flows of resources which relate to future periods and, therefore, are not reported in the fund financial statements. Deferred outflows of resources and deferred inflows of resources at year-end consist of:		
Deferred pension outflows (GASB 68)	10,059,530	
Deferred OPEB outflows (GASB 75)	852,757	
Deferred charge on refunding	1,350,412	
Deferred pension inflows (GASB 68)	(6,228,310)	6,034,389
Internal service funds are used by management to charge the costs of certain activities, including self-insurance, to appropriate function in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		9,724,856
Interest payable on long-term debt does not require current financial resources, therefore interest payable is not reported as a liability in the governmental funds balance sheet.		(1,321,123)
Long-term liabilities, including bonds payable and net pension liability are not due and payable in the current period and therefore are not reported in the fund financial statements. Long-term liabilities at year-end consist of:		
General and certificates of obligation bonds and tax notes	(237,280,000)	
Bond premiums	(18,556,761)	
Capital leases	(803,195)	
Net pension liability	(29,678,946)	
Total OPEB liability	(15,961,802)	
Compensated absences	(11,779,981)	(314,060,685)
NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 584,462,826

The accompanying notes to the basic financial statements are an integral part of this statement.

CITY OF MCKINNEY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	$ 73,847,744	$ 32,560,113	$ -	$ 1,215,663	$ 107,623,520
Sales and use taxes	25,213,079	-	-	3,865,467	29,078,546
Franchise fees	16,167,036	-	-	-	16,167,036
Other taxes and fees	-	-	-	338,030	338,030
Licenses and permits	11,495,904	-	-	-	11,495,904
Intergovernmental	997,924	-	2,505,534	1,557,461	5,060,919
Charges for services	10,011,177	-	-	1,206,888	11,218,065
Fines and forfeitures	1,981,919	-	-	123,759	2,105,678
Investment income	921,791	406,388	2,270,930	395,734	3,994,843
Contributions	441,134	-	16,063,567	35,174	16,539,875
Miscellaneous	793,419	-	-	26,900	820,319
Total Revenues	141,871,127	32,966,501	20,840,031	8,765,076	204,442,735
EXPENDITURES					
Current:					
General government	26,846,592	-	431,923	1,761,191	29,039,706
Police	33,184,539	-	-	198,255	33,382,794
Fire	27,866,835	-	-	94,664	27,961,499
Libraries	3,513,383	-	-	19,714	3,533,097
Development	10,799,131	-	-	871,654	11,670,785
Parks and recreation	14,905,962	-	439,999	3,845	15,349,806
Public works	11,526,736	-	4,435,019	-	15,961,755
Debt Service:					
Principal retirement	291,915	21,805,000	-	-	22,096,915
Interest and fiscal charges	29,764	10,216,584	276,985	-	10,523,333
Capital expenditures:					
General government	356,961	-	93,160	779,177	1,229,298
Police	1,374,934	-	2,789,198	331,794	4,495,926
Fire	3,562,739	-	1,864,478	61,922	5,489,139
Libraries	-	-	343,064	28,097	371,161
Development	387,170	-	-	-	387,170
Parks and recreation	591,333	-	10,255,656	-	10,846,989
Public works	1,828,920	-	11,868,917	-	13,697,837
Total Expenditures	137,066,914	32,021,584	32,798,399	4,150,313	206,037,210
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,804,213	944,917	(11,958,368)	4,614,763	(1,594,475)
OTHER FINANCING SOURCES (USES)					
Issuance of long-term debt	-	-	30,875,000	-	30,875,000
Deposit to bond refunding escrow account	-	-	-	-	-
Premium on issuance of debt	-	-	2,101,985	-	2,101,985
Proceeds from sale of property	253,724	-	-	-	253,724
Transfers in	3,271,730	-	3,004,000	500,000	6,775,730
Transfers out	(11,913,000)	-	(7,000,000)	(3,245,000)	(22,158,000)
Total Other Financing Sources (Uses)	(8,387,546)	-	28,980,985	(2,745,000)	17,848,439
Net change in fund balances	(3,583,333)	944,917	17,022,617	1,869,763	16,253,964
Fund balances, beginning of year	80,475,947	4,605,897	139,283,907	25,129,948	249,495,699
Fund Balances, End of Year	$ 76,892,614	$ 5,550,814	$ 156,306,524	$ 26,999,711	$ 265,749,663

The accompanying notes to the basic financial statements are an integral part of this statement.

CITY OF MCKINNEY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Net change in fund balances – total governmental funds		$ 16,253,964
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlay recorded as capital assets in the current period.		36,517,520
Governmental funds do not recognize contributed capital assets. However, in the statement of activities the fair market value of those assets are recognized as revenue, then allocated over their estimated useful lives and reported as depreciation expense.		31,330,538
Governmental funds do not recognize the contribution of capital assets to business-type funds; however, in the statement of activities these contributions are recognized as transfers.		(505,391)
Depreciation expense on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds.		(44,178,523)
Current year principal payments of long-term liabilities are shown as expenditures in the fund financial statements, but shown as reductions in long-term liabilities in the government-wide financial statements as follows:		
General and certificates of obligation bonds	21,805,000	
Capital lease	291,915	22,096,915
The issuance of long-term debt, such as bonds and capital leases, are shown as "Other Sources" and “Other Uses” in the governmental funds, but are shown on the statement of net position as debt obligations with corresponding balances amortized over the life of the bonds. Issuance of long-term debt and recognition and amortization of these differences consist of the following:		
Issuance of long term-debt	(30,875,000)	
Recognition of premium on debt issuance	(2,101,985)	
Amortization of refunding loss	(296,094)	
Amortization of bond premium	3,251,188	(30,021,891)
Current year pension and OPEB expenditures are reported on the fiscal year basis on the governmental statement of revenues, expenditures and changes in fund balance and as actuarially determined in the government-wide statement of activities.		(1,970,522)
Current year change in long-term liability for compensated absences does not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.		(775,992)
Current year changes in accrued interest payable do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.		(49,099)
Internal service funds are used by management to share the costs of certain activities including self-insurance and fleet maintenance to individual funds.		(1,805,670)
In the governmental fund financial statements the proceeds from sale of assets are shown as an increase in financial resources. In the government-wide financial statements, the gain or loss is calculated and reported.		(775,843)
Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds. This is the net change in these revenues for the year.		278,695
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 26,394,701

The accompanying notes to the basic financial statements are an integral part of this statement.

CITY OF MCKINNEY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET (GAAP BASIS) AND ACTUAL GENERAL FUND GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget- Positive (Negative)
REVENUES				
Property taxes	$ 73,981,604	$ 73,723,604	$ 73,847,744	$ 124,140
Sales and use taxes	25,675,000	25,690,000	25,213,079	(476,921)
Franchise fees	14,867,000	15,184,500	16,167,036	982,536
Licenses and permits	10,477,600	11,264,050	11,495,904	231,854
Intergovernmental	1,753,867	1,230,274	997,924	(232,350)
Charges for services	8,891,400	9,905,467	10,011,177	105,710
Fines and forfeitures	1,901,000	1,755,500	1,981,919	226,419
Investment income	1,045,450	1,691,800	921,791	(770,009)
Contributions	432,124	453,150	441,134	(12,016)
Miscellaneous	244,018	526,500	793,419	266,919
Total Revenues	139,269,063	141,424,845	141,871,127	446,282
EXPENDITURES				
General government	28,418,426	29,956,490	27,203,553	2,752,937
Police	35,224,820	35,257,280	34,559,473	697,807
Fire	28,699,299	31,886,409	31,751,253	135,156
Libraries	3,549,125	3,668,477	3,513,383	155,094
Development	11,707,521	11,939,857	11,186,301	753,556
Parks and recreation	15,543,778	16,657,578	15,497,295	1,160,283
Public works	13,892,671	14,654,682	13,355,656	1,299,026
Total Expenditures	137,035,640	144,020,773	137,066,914	6,953,859
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,233,423	(2,595,928)	4,804,213	7,400,141
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of property	129,000	279,000	253,724	(25,276)
Transfers in	2,831,630	3,271,730	3,271,730	-
Transfers out	(3,546,188)	(11,913,000)	(11,913,000)	-
Total Other Financing Sources (Uses)	(585,558)	(8,362,270)	(8,387,546)	(25,276)
Net change in fund balance	1,647,865	(10,958,198)	(3,583,333)	7,374,865
Fund balance, beginning of year	80,475,947	80,475,947	80,475,947	-
Fund Balance, End of Year	$ 82,123,812	$ 69,517,749	$ 76,892,614	$ 7,374,865

The accompanying notes to the basic financial statements are an integral part of this statement.

McKINNEY™
TEXAS
Unique by nature.SM

CITY OF MCKINNEY, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2018

	Business-type Activities- Enterprise Funds				Governmental Activities
	Water and Wastewater	Airport	Other Enterprise Funds	Total	Internal Service Funds
ASSETS					
Current assets:					
Cash and cash equivalents	$ 10,508,164	$ 4,012,499	$ 13,821,255	$ 28,341,918	$ 5,599,894
Investments	36,019,330	-	1,965,986	37,985,316	4,972,960
Restricted assets:					
Cash and cash equivalents	92,448,397	3,194,416	10,000	95,652,813	86,000
Accrued interest receivable	79,490	-	10,049	89,539	-
Receivables (net of allowance for uncollectibles)	11,237,137	32,761	1,979,135	13,249,033	376,230
Accrued interest receivable	141,610	-	-	141,610	-
Due from other funds	14,995	-	-	14,995	-
Notes receivable - interfund	-	-	5,680,437	5,680,437	-
Notes receivable - component unit	-	-	815,999	815,999	-
Due from other governments	-	32,291	-	32,291	-
Inventory	329,818	96,413	-	426,231	159,675
Prepaid items	400	10,002,612	1,273	10,004,285	13,983
Total Current Assets	150,779,341	17,370,992	24,284,134	192,434,467	11,208,742
Noncurrent assets:					
Restricted assets:					
Investments	21,376,056	-	-	21,376,056	-
Total Restricted Assets	21,376,056	-	-	21,376,056	-
Capital assets:					
Land	10,257,067	41,549,244	566,509	52,372,820	-
Buildings	11,972,381	26,400,795	1,653,284	40,026,460	-
Improvements other than buildings	449,509,835	65,581,408	2,912,297	518,003,540	-
Machinery and equipment	10,737,055	1,319,211	1,786,230	13,842,496	464,622
Construction in progress	17,971,656	5,690,210	-	23,661,866	-
Less accumulated depreciation	(113,516,724)	(31,471,346)	(4,568,590)	(149,556,660)	(258,095)
Total Capital Assets (Net of Accumulated Depreciation)	386,931,270	109,069,522	2,349,730	498,350,522	206,527
Total Noncurrent Assets	408,307,326	109,069,522	2,349,730	519,726,578	206,527
Total Assets	559,086,667	126,440,514	26,633,864	712,161,045	11,415,269
DEFERRED OUTFLOWS OF RESOURCES					
Deferred pension outflows	820,472	190,170	267,971	1,278,613	94,277
Deferred OPEB outflows	53,881	12,489	17,598	83,968	6,191
Deferred charge for refunding	725,887	-	-	725,887	-
Excess consideration provided for acquisition	-	5,142,645	-	5,142,645	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$ 1,600,240	$ 5,345,304	$ 285,569	$ 7,231,113	$ 100,468

(continued)

	Business-type Activities- Enterprise Funds				Governmental Activities
	Water and Wastewater	Airport	Other Enterprise Funds	Total	Internal Service Funds
LIABILITIES					
Current liabilities:					
Accounts payable	$ 3,178,906	$ 268,724	$ 743,554	$ 4,191,184	$ 1,147,787
Other accrued liabilities	656,140	58,922	478,644	1,193,706	73,960
Due to other funds	230,910	-	29,220	260,130	-
Note payable- interfund	-	-	51,392	51,392	-
Compensated absences	42,842	5,797	12,870	61,509	6,262
Accrued interest payable	195,007	-	-	195,007	-
Total Current Liabilities Unrestricted	4,303,805	333,443	1,315,680	5,952,928	1,228,009
LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)					
Accounts payable	2,228,704	39,520	-	2,268,224	-
Revenue bonds payable, current	7,715,242	-	-	7,715,242	-
Other accrued liabilities	549,170	455,539	-	1,004,709	-
Deposits	3,660,898	96,086	10,000	3,766,984	-
Total Current Liabilities (Payable from Restricted Assets)	14,154,014	591,145	10,000	14,755,159	-
Total Current Liabilities	18,457,819	924,588	1,325,680	20,708,087	1,228,009
NONCURRENT LIABILITIES					
Compensated absences	633,969	85,778	190,439	910,186	92,668
Note payable- interfund	-	5,000,000	629,045	5,629,045	-
Revenue bonds, certificates of obligation payable	111,937,751	-	-	111,937,751	-
Net pension liability	2,420,665	561,065	790,603	3,772,333	278,149
Total OPEB liability	1,163,613	269,704	380,043	1,813,360	133,706
Total Noncurrent Liabilities	116,155,998	5,916,547	1,990,130	124,062,675	504,523
TOTAL LIABILITIES	134,613,817	6,841,135	3,315,810	144,770,762	1,732,532
DEFERRED INFLOWS OF RESOURCES					
Deferred pension inflows	507,803	117,699	165,851	791,353	58,349
NET POSITION					
Net investment in capital assets	337,680,341	108,574,462	2,349,730	448,604,533	206,527
Restricted for:					
Use of impact fees	10,286,227	-	-	10,286,227	-
Debt service	7,015,666	-	-	7,015,666	-
Unrestricted	70,583,053	16,252,522	21,088,042	107,923,617	9,518,329
TOTAL NET POSITION	$ 425,565,287	$ 124,826,984	$ 23,437,772	$ 573,830,043	$ 9,724,856

CITY OF MCKINNEY, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Business-type Activities – Enterprise Funds				Governmental Activities
	Water and Wastewater	Airport	Other Enterprise Funds	Total	Internal Service Funds
OPERATING REVENUES					
Charges for services	$ 91,188,605	$ 8,315,001	$ 12,652,460	$ 112,156,066	$ 22,508,563
Intergovernmental	-	32,291	-	32,291	-
Miscellaneous	83,055	-	115,334	198,389	566,453
Total Operating Revenues	91,271,660	8,347,292	12,767,794	112,386,746	23,075,016
OPERATING EXPENSES					
Personnel services	8,261,178	1,794,533	2,472,116	12,527,827	943,437
Materials, supplies and services	772,148	3,341,253	94,084	4,207,485	19,312,546
Maintenance	2,227,525	281,726	284,193	2,793,444	3,704
Purchase of water	49,182,830	-	-	49,182,830	-
Contract payments	5,178,748	297,406	7,017,520	12,493,674	-
Office rental	180,232	-	-	180,232	-
Utilities	1,151,742	167,318	6,287	1,325,347	43,470
Depreciation and amortization	10,353,192	4,551,830	249,640	15,154,662	38,430
Other	4,475,812	898,506	256,830	5,631,148	51,046
Total Operating Expenses	81,783,407	11,332,572	10,380,670	103,496,649	20,392,633
Operating Income (Loss)	9,488,253	(2,985,280)	2,387,124	8,890,097	2,682,383
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	3,526,195	131,927	233,713	3,891,835	183,555
Interest and fiscal charges	(4,737,679)	-	-	(4,737,679)	-
Gain (loss) from disposal of assets	83,607	-	32,028	115,635	(171,608)
Total Nonoperating Revenues (Expenses)	(1,127,877)	131,927	265,741	(730,209)	11,947
Income (Loss) Before Contributions and Transfers	8,360,376	(2,853,353)	2,652,865	8,159,888	2,694,330
Contributions	30,835,505	8,400,456	206,951	39,442,912	-
Transfers in	-	22,913,000	65,796	22,978,796	-
Transfers out	(2,229,076)	(25,000)	(842,450)	(3,096,526)	(4,500,000)
Change in Net Position	36,966,805	28,435,103	2,083,162	67,485,070	(1,805,670)
Net Position, as Previously Reported	389,624,580	96,657,539	21,705,891	507,988,010	11,681,173
Adjustment for Adoption of GASB 75	(1,026,098)	(265,658)	(351,281)	(1,643,037)	(150,647)
Net Position, Beginning of Year, as Adjusted	388,598,482	96,391,881	21,354,610	506,344,973	11,530,526
Net Position, End of Year	$ 425,565,287	$ 124,826,984	$ 23,437,772	$ 573,830,043	$ 9,724,856

The accompanying notes to the basic financial statements are an integral part of this statement.

CITY OF MCKINNEY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Business-type Activities				Governmental Activities
	Water and Wastewater	Airport	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
CASH FROM OPERATING ACTIVITIES					
Cash received from customers and users	$ 91,059,733	$ 8,251,474	$ 13,250,265	$ 112,561,472	$ 22,622,884
Other operating revenues (expenses)	779,946	-	115,334	895,280	566,453
Cash payments to employees for services	(8,128,163)	(1,873,486)	(2,558,095)	(12,559,744)	(1,033,126)
Cash payments to suppliers for goods and services	(60,351,097)	(14,922,017)	(7,384,712)	(82,657,826)	(19,827,968)
Net Cash Provided by (Used in) Operating Activities	23,360,419	(8,544,029)	3,422,792	18,239,182	2,328,243
CASH FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	-	22,913,000	65,796	22,978,796	-
Transfers to other funds	(2,253,754)	(25,000)	(842,450)	(3,121,204)	(4,500,000)
Net Cash Provided by (Used in) Noncapital Financing Activities	(2,253,754)	22,888,000	(776,654)	19,857,592	(4,500,000)
CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal paid on bonds	(5,785,000)	-	-	(5,785,000)	-
Issuance of bonds	12,116,633	-	-	12,116,633	-
Principal paid on loans	-	-	(50,508)	(50,508)	-
Payments received on loans to component units	-	-	807,920	807,920	-
Issuance of note receivable	-	-	-	-	-
Proceeds from advances	-	-	50,508	50,508	-
Interest and fiscal charges paid on debt	(6,164,639)	-	-	(6,164,639)	-
Acquisition and construction of capital assets	(6,333,197)	(19,051,749)	(16,624)	(25,401,570)	(33,302)
Proceeds from the sale of assets	83,607	-	15,262	98,869	8,001
Net Cash Provided by (Used in) Capital and Related Financing Activities	(6,082,596)	(19,051,749)	806,558	(24,327,787)	(25,301)
CASH FROM INVESTING ACTIVITIES					
Purchase of investments	(23,165,960)	-	-	(23,165,960)	(4,972,960)
Proceeds from sale and maturities of investments	3,495,000	-	35,760	3,530,760	-
Investment income	3,448,937	131,927	225,268	3,806,132	183,555
Net Cash Provided by (Used in) Investing Activities	(16,222,023)	131,927	261,028	(15,829,068)	(4,789,405)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,197,954)	(4,575,851)	3,713,724	(2,060,081)	(6,986,463)
Cash and Cash Equivalents, Beginning of Year	104,154,515	11,782,766	10,117,531	126,054,812	12,672,357
Cash and Cash Equivalents, End of Year	$ 102,956,561	$ 7,206,915	$ 13,831,255	$ 123,994,731	$ 5,685,894
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION					
Cash and cash equivalents	$ 10,508,164	$ 4,012,499	$ 13,821,255	$ 28,341,918	$ 5,599,894
Restricted cash and cash equivalents	92,448,397	3,194,416	10,000	95,652,813	86,000
Total Cash and Cash Equivalents	$ 102,956,561	$ 7,206,915	$ 13,831,255	$ 123,994,731	$ 5,685,894
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Operating income (loss)	$ 9,488,253	$ (2,985,280)	$ 2,387,124	$ 8,890,097	$ 2,682,383
ADJUSTMENT TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Depreciation	10,353,192	4,551,830	249,640	15,154,662	38,430
(Increases) decreases in assets and deferred outflows:					
Accounts receivable	12,179	(29,068)	597,805	580,916	114,321
Prepaid expenses	2,086	(9,964,888)	(281)	(9,963,083)	(9,489)
Due from other governments	696,891	(32,291)	-	664,600	(18,297)
Inventory	141,362	(36,072)	-	105,290	-
Deferred pension outflows	98,015	57,569	52,239	207,823	52,267
Deferred OPEB outflows	(36,708)	(8,042)	(11,719)	(56,469)	(3,670)
Increases (decreases) in liabilities and deferred inflows:					
Accounts payable	2,291,340	(309,443)	623,766	2,605,663	(389,416)
Accrued liabilities	383,152	374,595	(349,283)	408,464	-
Due to other funds	-	-	(17,051)	(17,051)	-
Deposits	(141,051)	(34,459)	-	(175,510)	-
Liability for compensated absences	66,158	(9,000)	(41,167)	15,991	3,171
Net pension liability	(912,534)	(301,901)	(350,504)	(1,564,939)	(211,215)
Total OPEB liability	120,342	(403)	22,883	142,822	(19,462)
Deferred pension inflows	797,742	182,824	259,340	1,239,906	89,220
Total adjustments	13,872,166	(5,558,749)	1,035,668	9,349,085	(354,140)
Net Cash Provided by (Used in) Operating Activities	$ 23,360,419	$ (8,544,029)	$ 3,422,792	$ 18,239,182	$ 2,328,243
SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES					
Contributions of capital assets	$ 30,835,505	$ 8,400,456	$ 206,951	$ 39,442,912	$ -

The accompanying notes to the basic financial statements are an integral part of this statement.

CITY OF MCKINNEY, TEXAS
STATEMENT OF AGENCY ASSETS AND LIABILITIES
FIDUCIARY FUND
SEPTEMBER 30, 2018

	Agency Fund
	BB Owen Park
ASSETS	
Cash and cash equivalents	$ 3,926,620
Total Assets	$ 3,926,620
LIABILITIES	
Developer escrows	$ 3,926,620
Total Liabilities	$ 3,926,620

The accompanying notes to the basic financial statements are an integral part of this statement.

CITY OF MCKINNEY, TEXAS
STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
SEPTEMBER 30, 2018

	McKinney Economic Dev. Corp	McKinney Community Dev. Corp	McKinney Convention & Visitors Bureau	McKinney Main Street Corporation	Total
ASSETS					
Cash and cash equivalents	$ 3,776,623	$ 40,929,839	$ 68,275	$ 887,139	$ 45,661,876
Investments	3,881,412	5,714,318	-	-	9,595,730
Receivables (net of allowance for uncollectibles)	2,326,295	2,326,147	-	1,732	4,654,174
Prepaid items	44,174	13,688	21,574	11,668	91,104
Restricted assets- cash and cash equivalents	1,721,796	-	-	-	1,721,796
Capital assets, non depreciable	67,043,105	4,970,062	-	17,000	72,030,167
Capital assets, net of accumulated depreciation	-	1,853,956	-	30,732	1,884,688
Total Assets	78,793,405	55,808,010	89,849	948,271	135,639,535
DEFERRED OUTFLOWS OF RESOURCES					
Deferred pension outflows	140,677	22,658	41,353	-	204,688
Deferred OPEB outflows	9,238	1,488	2,716	-	13,442
Deferred charge on refunding	81,509	-	-	-	81,509
Total Deferred Outflows of Resources	231,424	24,146	44,069	-	299,639
LIABILITIES					
Accounts payable	44,526	26,788	14,650	620,438	706,402
Other accrued liabilities	51,687	6,976	13,132	-	71,795
Unearned revenue	-	-	-	1,515	1,515
Accrued interest payable	93,550	91,349	-	-	184,899
Noncurrent liabilities					
Due within one year					
Note payable to primary government	815,999	-	-	-	815,999
Compensated absences	5,353	2,431	3,981	-	11,765
Bonds payable	2,845,000	990,000	-	-	3,835,000
Due in more than one year					
Compensated absences	79,209	35,970	58,957	-	174,136
Bonds payable	26,745,000	20,390,000	-	-	47,135,000
Net pension liability	415,044	66,849	122,007	-	603,900
Total OPEB liability	199,510	32,134	58,649	-	290,293
Total Liabilities	31,294,878	21,642,497	271,376	621,953	53,830,704
DEFERRED INFLOWS OF RESOURCES					
Deferred pension inflows	87,068	14,023	25,594	-	126,685
Total Deferred Inflows of Resources	87,068	14,023	25,594	-	126,685
NET POSITION					
Net investment in capital assets	38,243,675	(14,555,982)	-	30,732	23,718,425
Restricted for debt service	1,721,796	-	-	-	1,721,796
Unrestricted	7,677,412	48,731,618	(163,052)	295,586	56,541,564
Total Net Position	$ 47,642,883	$ 34,175,636	$ (163,052)	$ 326,318	$ 81,981,785

The accompanying notes to the basic financial statements are an integral part of this statement.

CITY OF MCKINNEY, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
McKinney Economic Development Corporation	$ 8,210,512	$ -	$ -	$ -
McKinney Community Development Corporation	7,997,528	-	-	-
McKinney Convention & Visitors Bureau	706,347	-	670,000	-
McKinney Main Street Corporation	1,380,367	1,321,500	85,219	-
Total Component Units	$ 18,294,754	$ 1,321,500	$ 755,219	$ -
General revenues				
Sales taxes				
Investment income				
Miscellaneous				
Total General Revenues				
Change in Net Position				
Net Position, as Previously Reported				
Adjustment for Adoption of GASB 75				
Net Position, Beginning of Year, as Adjusted				
Net Position, End of Year				

The accompanying notes to the basic financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position				
Component Units				
McKinney Economic Dev. Corp	McKinney Community Dev. Corp	McKinney Convention & Visitors Bureau	McKinney Main Street Corporation	Total
$ (8,210,512)	$ -	$ -	$ -	$ (8,210,512)
-	(7,997,528)	-	-	(7,997,528)
-	-	(36,347)	-	(36,347)
-	-	-	26,352	26,352
$ (8,210,512)	$ (7,997,528)	$ (36,347)	$ 26,352	$ (16,218,035)
$ 13,466,103	$ 13,466,103	$ -	$ -	$ 26,932,206
268,528	657,845	326	-	926,699
480	-	4,586	-	5,066
13,735,111	14,123,948	4,912	-	27,863,971
5,524,599	6,126,420	(31,435)	26,352	11,645,936
42,252,158	28,078,683	(81,038)	299,966	70,549,769
(133,874)	(29,467)	(50,579)	-	(213,920)
42,118,284	28,049,216	(131,617)	299,966	70,335,849
$ 47,642,883	$ 34,175,636	$ (163,052)	$ 326,318	$ 81,981,785

McKINNEY™
TEXAS
Unique by nature.SM

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of McKinney (City) was incorporated in 1848. The City operates under a Council- Manager form of government and provides the following services as authorized by its charter: public safety, public works, public health and welfare, culture, recreation and waterworks.

The City reports in accordance with accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board (GASB). The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the notes are organized to provide concise explanation, including required disclosures of budgetary matters, assets, liabilities, fund equity, revenues, expenditures/expenses and other information considered important to gaining a clear picture of the City's financial activities for the fiscal year ended September 30, 2018.

A. Financial Statement Presentation

The basic financial statements are prepared in conformity with GASB Statement No. 34 which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities, business-type activities and activities of its discretely presented component units on the statement of net position and statement of activities. Significantly, the City's statement of net position includes both noncurrent assets and noncurrent liabilities of the City. In addition, the government-wide statement of activities reflects depreciation expenses on the City's capital assets, including infrastructure.

In addition to the government-wide financial statements, the City has prepared fund financial statements, which use the modified accrual basis of accounting and the current financial resources measurement focus for the governmental funds. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The City also presents Management's Discussion and Analysis which includes an analytical overview of the City's financial activities. In addition, budgetary comparison statements are presented that compare the original adopted and final amended budgets with actual results for adopted funds.

B. Financial Reporting Entity

The City's basic financial statements include the accounts of all City operations. In evaluating how to define the government for financial reporting purposes, management has considered all entities for which the City is considered to be financially accountable. The City is governed by an elected mayor and six-member council. As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the City's operations; therefore, data from these units are combined with data of the City. Discrete component units are legally separate entities that are not considered part of the City's operations; therefore, data from these units are shown separately from the data of the City.

Blended Component Units

The McKinney Urban Transit District (MUTD) is a blended component unit presented as a non-major special revenue fund of the City. The governing body of the MUTD consists of the seven City of McKinney councilmembers and one representative from each of the district members including the Collin County Commissioners' Court, the City of Celina, the City of Lowry Crossing, the City of Melissa, the City of Princeton and the City of Prosper. The MUTD budget is subject to approval of the City of McKinney Council. The MUTD budget is financed primarily by state/federal grants and member contributions and has a September 30 year-end. The purpose of the MUTD is to provide transportation to residents of McKinney, Melissa, Princeton, Lowry Crossing, Celina and Prosper who are 65 years of age or older or are disabled.

The McKinney Housing Finance Corporation (MHFC) is a blended component unit presented as a non-major special revenue fund. The governing body of the MHFC is appointed by the City Council and the MHFC's budget is subject to approval of the City Council. The MHFC finances the cost of residential ownership and development on behalf of the City to provide decent, safe and sanitary housing for City residents at affordable prices. MHFC budget is financed primarily by developer fees and has a September 30 year-end.

Discretely Presented Component Units

The McKinney Economic Development Corporation (MEDC) is a discretely presented component unit in the basic financial statements. The governing body of the MEDC is appointed by the City Council and the MEDC's operating budget is subject to approval of the City Council. The City does not have a voting majority of the corporation. The purpose of the MEDC is to aid, promote and further the economic development within the City. The MEDC is financed with a voter-approved half-cent city sales tax. The MEDC has a September 30 year-end. Under a contract with the MEDC, the City performs financial services for the MEDC. There are no separately issued financial statements of the MEDC, which is reported as a governmental fund.

The McKinney Community Development Corporation (MCDC) is a discretely presented component unit in the basic financial statements. The MCDC is governed by a seven-member board appointed by the City Council and at least three board members cannot be City employees or Council members. The City does not have a voting majority of the corporation. The purpose of the MCDC is to identify and fund public projects to maintain or enhance the quality of life reflecting hometown values and priorities, visionary planning, balanced needs, and fiscal responsibility for current and future residents, visitors and businesses of our community. The MCDC is financed with a voter-approved half-cent city sales tax. The nature and significance of the relationship between the primary government and the organization is such that exclusion would cause the City's financial statements to be misleading or incomplete. The MCDC has a September 30 year-end. Under a contract with the MCDC, the City performs financial services for the MCDC. There are no separately issued financial statements of the MCDC, which is reported as a governmental fund.

The McKinney Main Street (MMS) is a discretely presented component unit in the basic financial statements. The governing body of MMS is appointed by the City Council and the MMS's budget is subject to approval of the City Council. MMS budget is financed primarily by events held in the Downtown McKinney area. MMS is a separate legal entity from the City and its sole purpose is to promote McKinney's vibrant downtown area. MMS has a September 30 year-end.

MMS financial services are decentralized from the City. There are no separately issued financial statements of MMS.

The McKinney Convention & Visitors Bureau (MCVB) is a discretely presented component unit in the basic financial statements. The governing body of the MCVB is appointed by the City Council and the MCVB's budget is subject to approval of the City Council. The MCVB budget is financed primarily by hotel/motel occupancy taxes. The MCVB is a separate legal entity from the City and its sole purpose is to promote McKinney as the destination of choice. The MCVB has a September 30 year-end. Under a contract with the MCVB, the City performs financial services for the MCVB. There are no separately issued financial statements of the MCVB. All discretely presented component units were deemed to be major component units for presentation purposes.

C. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (*i.e.*, the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support. Additionally, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Police, Fire, Public Works, etc.) or program are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function or program. Program revenues include: a) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or program, b) grants and contributions that are restricted to meeting the operational requirements of a particular function or program, or c) grants and contributions that are restricted to meeting the capital requirements of a particular function or program. Taxes and other items properly not included among program revenues are reported instead as general revenues. Internally dedicated resources are also reported as general revenues rather than as program revenues.

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the funds financial statements. The major governmental funds are the general fund, debt service fund, and the capital projects fund. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements. The nonmajor funds are detailed in the combining section of the statements.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to the general rule are franchise fees and other charges between the government's water and wastewater function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and wastewater enterprise fund, airport fund, and other proprietary funds are charges to customers for sales and services. The water and wastewater fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting the definition are reported as nonoperating revenues and expenses.

Internal service funds are used to allocate associated costs of centralized services on a cost-reimbursement basis. The services provided to other City departments include providing risk financing and insurance-related activities and fleet maintenance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The government-wide and proprietary fund financial statements follow the accounting set forth by the Governmental Accounting Standards Board.

Governmental fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. The governmental fund financial statements follow the accounting set forth by the Governmental Accounting Standards Board.

Property taxes, franchise fees, sales taxes, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

E. Fund Accounting

The following major funds are used by the City:

1. Governmental Funds:

Governmental Funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following is a description of the major Governmental Funds of the City:

a. **The General Fund** is the operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

b. **The Debt Service Fund** is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt paid from taxes levied by the City.

c. **The Capital Projects Fund** consists of various types of financial resources and is utilized in the acquiring or constructing of capital infrastructure within the City. These include facilities, streets, stormwater drainage, utilities, public safety, parks and recreation centers.

Other Governmental Funds is a summarization of all of the nonmajor governmental funds.

2. Proprietary Funds:

Proprietary Funds are accounted for using an economic resources measurement focus. The accounting objectives are a determination of net income, financial position and changes in cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its statement of net position.

The proprietary funds are financed and operated in a manner similar to private business enterprise. The costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges. Periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

a. **The Water and Wastewater Fund** is used to account for the operations of the water and wastewater system.

b. **The Airport Fund** is used to account for the operations of the airport.

Other Proprietary Funds is a summarization of all of the nonmajor proprietary funds.

Two Internal Service Funds are used to account for the financing of services provided by one department to other departments of the City on a cost reimbursement basis. The insurance claims self-funded program of the City is accounted for in the **Insurance and Risk Management Fund**. Accrued liabilities include provisions for claims reported and claims incurred but not reported. The provision for reported claims is determined by estimating the amount which will ultimately be paid to each claimant. The provision for claims incurred but not yet reported is estimated based on City experience since the inception of the programs and data provided by actuarial consultants. Costs associated with maintenance of the City's operation and service vehicles are accounted for in the **Fleet Maintenance Fund**.

3. Agency Fund:

The City is the trustee, or fiduciary, for certain amounts held on behalf of developers, property owners, and others. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Position. The activities of these funds are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported are used for their intended purpose.

F. Cash, Cash Equivalents and Investments

Cash of all funds, excluding the City's payroll clearing account, law enforcement bank account, EMS account, flexible spending account and certain escrow accounts, is pooled into a common interest earning bank account in order to maximize investment opportunities. Each fund whose monies are deposited in the pooled cash has equity therein, and interest earned on these monies is allocated based upon relative equity at each month end.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The City may invest in certificates of deposit, authorized investment pools and funds, U.S. Government Securities, commercial paper, and repurchase agreements. Investments are recorded at amortized cost, and at fiscal year-end investments with original maturity greater than one year are reflected at fair value on the accompanying government-wide and fund financial statements.

Realized gains and losses on investments that have been held during more than one fiscal year, and sold in the current, were included as a change in the fair value of the investments reported in the prior year and the current year. Management's intent is to hold all investments to maturity.

In accordance with GASB Statement No. 31, the City's general policy is to report short-term treasury securities, U.S. government backed securities which have a remaining term of one year or less at time of purchase, and money market mutual funds at amortized costs.

G. Inventories and Prepaid Items

Inventory is valued at cost (first-in, first-out). The cost of governmental fund type inventory is recorded as an expenditure when consumed rather than when purchased. Reported inventories are also classified as nonspendable fund balance, which indicates that they do not constitute "available, spendable resources" even though they are a component of fund balance. The City is not required to maintain a minimum level of inventory. Inventories in the Proprietary Funds consist of supplies and fuel and are recorded at the lower of cost or market.

Prepaid balances are for payments made by the City for which benefits extend beyond September 30, 2018, and the related nonspendable fund balance amount has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures. The cost of governmental fund type prepaid balances is recorded as an expenditure when consumed rather than when purchased.

H. Interfund Receivables and Payables

Short-term advances between funds are accounted for in the appropriate interfund receivable and payable accounts, and are reported as "due to/from other funds." Long-term advances between funds are reported as "advances to/from other funds" and represent the noncurrent portion of interfund loans.

Legally authorized transfers are treated as transfers and are included in the results of operations of both governmental and proprietary funds.

I. Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The Utility Capital Projects Fund is used to report those proceeds of revenue bond issuances that are restricted for use in construction. The Revenue Debt Service Fund is used to segregate resources accumulated for debt service payments over the next twelve months. The Revenue Bond Reserve Fund is used to report resources set aside to make up potential future deficiencies in the Revenue Debt Service Fund. The Revenue Bond Reserve Fund is required to reserve an amount not less than the average annual requirement for the payment of principal and interest on all the revenue bonds.

Also included in the restricted assets are capital recovery fees that are, by law, restricted to the projects these funds may be used to support. The Utility Development Impact Fee Fund is used to segregate these resources and to account for the use of these funds.

Customer deposits received for water and wastewater service are, by law, to be considered restricted assets. These activities are included in the Water and Wastewater Enterprise Fund.

The Utility Capital Projects Fund, Revenue Debt Service Fund, Revenue Bond Reserve Fund, and Utility Development Impact Fee Funds are included in the Water and Wastewater column on the proprietary funds statements.

J. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at acquisition value.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Building / Structures	10 - 50
Land Improvements	20
Water and Sewer System	50
Machinery and Equipment	3 - 15
Motor Vehicles	3 - 10
Traffic Signals	10 - 15
Parks	20
Service Animals	7 - 10
Storm Sewer	50
Streets	20

K. Compensated Absences

Vacation is earned in varying amounts up to a maximum of 200 hours per year for employees and 300 hours for fire shift personnel with 20 years or more of service. Unused vacation may be carried forward from one year to the next and is limited to 300 hours for employees and 450 hours for fire shift personnel. Sick leave is accrued by employees at a rate of 11.37 hours per month and by fire shift personnel at a rate of 15.4 hours per month.

Compensation for accrued sick leave is paid upon separation up to a maximum of 160 hours for employees (excluding fire and sworn police personnel) with 5 consecutive years of service. Qualifying fire personnel are eligible for varying amounts of sick leave up to a maximum of 1080 hours after 20 years of service. Qualifying sworn police personnel are eligible for varying amounts of sick leave up to a maximum of 770 hours after 20 years of service.

All vacation and sick leave pay is accrued when earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

L. Long-term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position.

Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Deferred charges for refunding are amortized using the effective interest method over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is recorded as deferred outflows of resources.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*.

Allocations of pension items to the City's enterprise funds and component units are determined on the basis of employee payroll funding.

N. Defined Benefit Other Postemployment Benefit Plans

The City has two single-employer defined benefit other postemployment benefit (OPEB) plans (Plans). For purposes of measuring the total OPEB liability of each OPEB plan, deferred outflows of resources and deferred inflows of resources related to each OPEB plan, and OPEB expense have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms for the Plans.

Allocations of OPEB items to the City's enterprise funds and component units are determined on the basis of full-time employee counts by department.

O. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future reporting period(s) and so will not be recognized as an outflow of resources (expense/expenditure/reduction of net pension liability) until then. The City has the following items that qualify for reporting in this category.

- Deferred charges on refundings – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Governmental Activities, Business-type Activities and Component Units of the City reported the following total OPEB liability and deferred outflows of resources related to OPEBs as of September 30, 2018:

	Total OPEB Liability	Deferred Outflows of Resources
GOVERNMENTAL ACTIVITIES		
Retiree Health Care Plan	$ 1,695,134	$ 192,147
Supplemental Death Benefits Plan	14,400,374	666,801
	16,095,508	858,948
BUSINESS-TYPE ACTIVITIES		
Retiree Health Care Plan	1,813,360	83,968
COMPONENT UNITS		
Retiree Health Care Plan	290,293	13,442

- Excess consideration provided for acquisition – In November 2013, the City purchased the hangars, office building/terminal, miscellaneous furniture and fixture, and fixed base operations (FBO) from various related business entities at McKinney National Airport. This is the amount, net of amortization, which the City paid in excess of the fair value of the assets for the fixed base business operations. The deferred charges are being amortized over a period of 18 years.
- Pension contributions after measurement date – These contributions are deferred and reported as a reduction in net pension liability or increase in net pension asset in the year subsequent to their deferral.
- OPEB benefit and premium payments after measurement date – These benefit payments are deferred and reported as a reduction in total OPEB liability in the year subsequent to their deferral.
- Difference in projected and actual experience (pensions and OPEBs) – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period.
- Changes of Assumptions (pensions and OPEBs) – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized to pension expense over a closed five year period.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future reporting period(s) and so will not be recognized as an inflow of resources (revenue or reduction in pension expense) until that time. The City has two types of items that qualify for reporting in this category in the government-wide financial statements. The difference in expected and actual experience and changes of assumptions are deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period. In the fund financial statements, resources unavailable for revenue recognition are deferred and recognized as revenue when available.

P. Fund Equity

The City establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to observe the constraints imposed upon the use of the resources reported in governmental funds on accordance with GASB Statement No. 54. Fund balance classifications, under GASB 54 are Nonspendable, Restricted, Committed, Assigned and Unassigned.

Nonspendable fund balance represents fund balance that is (a) not in a spendable form such as prepaid items or (b) legally or contractually required to be maintained intact such as an endowment.

Restricted fund balance consists of amounts that can be spent only on the specific purposes stipulated by law or by the external providers of those resources as approved by the City Council or by their designated body or official.

Committed fund balances are self-imposed limitations set in place prior to the end of the fiscal period. These amounts can be used only for the specific purposes determined and approved by formal action of the City Council, which is the highest level of decision making authority for the City. The same level of formal action is required to remove the constraint.

Assigned fund balance consists of amounts that are subject to a purpose constraint that represents an intended use established by the City Council or the City Manager as defined in the Financial Policies.

Unassigned fund balance represents the residual classification of fund balance and includes all spendable amounts not contained within the other classifications.

When multiple categories of fund balance are available for expenditure, the City will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

The City will maintain a minimum fund balance reserve equal to three months of the total operating expenses of the General Fund. All fund balances are formally approved on an annual basis by the City Council.

Q. Change in Accounting Principles

The City has adopted and implemented the following GASB statements which have become effective for fiscal year 2018:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

- This Statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Oher Than Pensions*. Implementation resulted in a restatement of beginning net position as of October 1, 2017, reclassification of amounts previously expensed as salaries and benefits to deferred outflows of resources and recognition of the total OPEB liabilities as of October 1, 2017. The City has implemented this Statement in fiscal year 2018 and, accordingly, has restated beginning net position within the government-wide financial statements as of October 1, 2017, of ($11,376,160) related to Governmental Activities, ($1,643,037) related to Business-type Activities and ($213,920) related to Discretely Presented Component Units. Additionally, in the funds statements, beginning net position as of October 1, 2017, of the proprietary funds and internal service funds were restated by $(1,643,037) and $(150,647), respectively.

GASB Statement No. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period*

This Statement supersedes the requirements of paragraphs 5-22 of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and requires interest costs incurred before the end of a construction period to be recognized as expense in the period incurred under the economic resources measurement focus. Adoption of GASB 89 had no effect on the City's financial statements.

Future Adoption of Accounting Pronouncements

The GASB has issued the following potentially significant statements which the City has not yet adopted and which require adoption subsequent to September 30, 2018.

Statement No.		Adoption Required
83	*Certain Asset Retirement Obligations*	September 30, 2019
84	*Fiduciary Activities*	September 30, 2020
87	*Leases*	September 30, 2021
88	*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*	September 30, 2019

R. Miscellaneous Revenue

In October 2014, a trial court found that the City owed damages to a developer in the amount of $9,017,037. The City accrued for the contingent liability in the General Fund as of September 30, 2014. In May 2017, the ruling was reversed and the appellate court found that no damages were owed. In March 2018, the court of appeals issued its mandate that the case was officially over, and the City was released from all liability. This amount is reported on the Statement of Revenues, Expenditures and Changes in Fund Balance by the General Fund and on the Statement of Activities by Governmental Activities as miscellaneous revenue.

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Data

The City Charter establishes the fiscal year as the twelve-month period beginning October 1. Each department submits to the City Manager a budget of estimated expenditures for the ensuing fiscal year no later than August 1. The City Manager subsequently submits a budget of estimated expenditures and revenues to the City Council by August 15.

Upon receipt of the budget estimates, the Council holds a first reading on the Budget Ordinance and Tax Roll Ordinance. Information about the Budget Ordinance is then published in the official newspaper of the City. The Council is precluded from passing the Budget Ordinance (second reading) until ten days have passed after the Ordinance publication and after the first Monday in September.

Prior to October 1, the budget is legally enacted through passage of an ordinance. The legal level of budgetary control is at the fund level. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Budgetary control has been established at the detail level by line item activity for management control.

Budgeted amounts are as originally adopted, or as legally amended. The City Council may amend the budget by passing a budget appropriation ordinance. During fiscal year 2018, the total amendments to the original adopted budgeted amounts resulted in a $19,127,686 increase in budgeted General Fund expenditures and Transfers Out.

Budgets for the General Fund, Debt Service Fund, Capital Projects Fund, each nonmajor special revenue fund and the nonmajor capital projects fund are legally adopted on a basis consistent with GAAP.

Departmental appropriations that have not been expended or encumbered by the departments at the end of the fiscal year will lapse. Therefore, funds that were budgeted and not used by the departments during the fiscal year are not available for their use unless appropriated in the ensuing fiscal year's budget.

Encumbrances represent commitments related to unperformed contracts for goods or services. The commitments (purchase orders, contracts and other commitments for the expenditure of funds) are not treated as expenditures until a liability for payment is incurred, but are merely used to facilitate effective budget control and cash planning and management.

(3) DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

Cash and investments as of September 30, 2018, consist of and are classified in the accompanying primary government and component unit financial statements as follows:

PRIMARY GOVERNMENT

Statement of Net Position	
Cash and cash equivalents	$ 141,997,296
Investments	105,606,176
Restricted cash and cash equivalents	189,544,275
Restricted investments	21,376,056
	$ 458,523,803
Cash on hand	$ 12,676
Deposits with financial institutions, excluding certificates of deposit	11,171,737
Investments	447,339,390
Total Cash and Investments	$ 458,523,803

COMPONENT UNITS

Statement of Net Position	
Cash and cash equivalents	$ 45,661,876
Investments	9,595,730
Restricted cash and cash equivalents	1,721,796
	$ 56,979,402
Cash on hand	$ 400
Deposits with financial institutions, excluding certificates of deposit	1,074,252
Investments	55,904,750
Total Cash and Investments	$ 56,979,402

The table below identifies the investment types that are authorized for the City by the *Public Funds Investment Act* (Act) (Government Code Chapter 2256). The table also identifies certain provisions of the City's investment policy that address interest rate risk, credit risk and concentration of credit risk.

The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

B. Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The City investment policy is designed to manage its exposure to interest rate risk by investing in investment pools which purchase a combination of shorter term investments with an average maturity of less than 60 days, thus reducing the interest rate risk. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City policy has a weighted average maturity limit of 730 days in aggregate.

As of September 30, 2018, the City and Component Units had the following investments:

Investment Type	Carrying Amount	Weighted Average Maturity *
PRIMARY GOVERNMENT		
Certificates of deposit	$ 5,385,971	1095
TexPool	4,830,537	28
TexPool Prime	29,318,931	37
LOGIC	108,536,197	35
TexasDaily	89,274,304	34
Texas CLASS	88,397,189	39
Federal Agency securities	119,349,738	1191
Municipal securities	2,246,523	1291
Total Fair Value	447,339,390	
DISCRETELY PRESENTED COMPONENT UNITS		
TexPool	2,823,635	28
TexPool Prime	17,659,282	37
LOGIC	7,051,105	35
TexasDaily	7,238,622	34
Texas CLASS	11,536,376	39
Federal Agency securities	9,595,730	1878
Total Fair Value	55,904,750	
Total Fair Value - Reporting Entity	$ 503,244,140	

* The table reflects the investment pool's weighted average maturity as it relates to the City's investment policy.

C. Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the Act, the City's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Investment Type	Carrying Amount	Minimum Legal Rating	Rating As of Year-end
PRIMARY GOVERNMENT			
Certificates of deposit	$ 5,385,971		
TexPool	4,830,537	AAA/AAA-m	AAAm
TexPool Prime	29,318,931	AAA/AAA-m	AAAm
LOGIC	108,536,197	AAA/AAA-m	AAAm
TexasDaily	89,274,304	AAA/AAA-m	AAAm
Texas CLASS	88,397,189	AAA/AAA-m	AAAm
Federal Agency securities	119,349,738	AAA	AAA
Municipal securities	2,246,523	A	A
Total Fair Value	447,339,390		
DISCRETELY PRESENTED COMPONENT UNITS			
TexPool	2,823,635	AAA/AAA-m	AAAm
TexPool Prime	17,659,282	AAA/AAA-m	AAAm
LOGIC	7,051,105	AAA/AAA-m	AAAm
TexasDaily	7,238,622	AAA/AAA-m	AAAm
Texas CLASS	11,536,376	AAA/AAA-m	AAAm
Federal Agency securities	9,595,730	AAA	AAA
Total Fair Value	55,904,750		
Total Fair Value - Reporting Entity	$ 503,244,140		

D. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The Act and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

As of September 30, 2018, the City deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

The City is a voluntary participant in TexPool. The State Comptroller of Public Accounts exercises responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters.

Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool uses amortized cost rather than the market value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the net asset value of TexPool shares.

The City invested in the Texas Local Government Investment Cooperative (LOGIC) Liquid Asset Portfolio. LOGIC is a public funds investment pool managed by Southwest Securities Group, Inc. LOGIC uses amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in LOGIC is the same as the net asset value of LOGIC shares.

The City is invested in Texas Daily, a portfolio of the TexasTERM Local Government Investment Pool (Pool) which was created by Texas local governments to provide investment programs tailored to the needs of Texas cities, counties, school districts and other public investors. The Pool is directed by an Advisory Board of experienced local government finance directors and treasurers. The Advisory Board contracts for services with professional service providers who are industry leaders in their field.

The City is invested in Texas Cooperative Liquid Assets Securities System (Texas CLASS) Trust. Texas CLASS was created as an investment pool for its participants pursuant to Section 2256.016 of the Public Funds Investment Act, Texas Government Code, or other laws of the State of Texas governing the investment of funds of a participant or funds under its control. Texas CLASS is administered by Cutwater Investor Services Corp. with Wells Fargo Bank Texas, NA as the Custodian. Texas CLASS is supervised by a Board of Trustees who are elected by the participants.

E. Property Taxes

Property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City. Assessed value represents the appraisal value less applicable exemptions authorized by the City Council. The Appraisal Board of Review establishes appraised values at 100% for estimated market value. A tax lien attaches to the property on January 1 of each year, to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on that property, whether or not the taxes are imposed in the year the lien attaches.

Taxes are due on October 1 immediately following the levy date and are delinquent after the following January 31st. Current tax collections for the year ended September 30, 2018, were 99.74% of the adjusted tax levy.

Allocations of property tax levy by purpose for 2018 and the preceding year are as follows (amounts per $100 assessed value):

	2018	2017
General Fund	$ 0.375611	$ 0.401770
Debt Service	0.164588	0.171230
	$ 0.540199	$ 0.573000

Property taxes are recorded as receivables and deferred revenues at the time the tax levy is billed. Revenues are recognized as the related ad valorem taxes are collected. Additional delinquent property taxes estimated to be collectible within sixty days following the close of the fiscal year have been recognized as revenue at the fund level.

In Texas, county-wide central appraisal districts are required under the Property Tax Code to assess all property within the appraisal district on the basis of 100% of its market value and are prohibited from applying any assessment ratios.

The value of property within the appraisal district must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the appraisal district through various appeals, and, if necessary, take legal action. Under this legislation, the City continues to set tax rates on City property. However, if the effective tax rate, including tax rates for bonds and other contractual obligations adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year.

The statutes of the State of Texas do not prescribe a legal debt limit. However, Article XI, Section 5 of the Texas Constitution applicable to cities of more than 5,000 population limits the ad valorem tax rate to $2.50 per $100 assessed valuation. The City operates under a Home Rule Charter which also imposes a limit of $2.50, but does not prescribe a legal debt limit. The 2018 ad valorem tax rate of $0.540199 is in compliance with the rate limitation.

F. Receivables

Receivables as of year-end for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Funds				
	General	Debt Service	Capital Projects	Nonmajor Funds	Total
Interest	$ 277,301	$ -	$ 104,650	$ -	$ 381,951
Taxes	8,628,922	278,040	-	221,146	9,128,108
Accounts	4,252,711	-	-	2,524	4,255,235
Notes	1,156,052	-	-	-	1,156,052
Other	87,831	-	309,702	180,256	577,789
Gross receivables	14,402,817	278,040	414,352	403,926	15,499,135
Allowance for uncollectible accounts	(1,191,095)	-	-	-	(1,191,095)
Net Total Receivables	$ 13,211,722	$ 278,040	$ 414,352	$ 403,926	$ 14,308,040

	Business-type Activities			
	Water Wastewater	Airport	Other Enterprise Funds	Total
Customer accounts	$ 11,561,229	$ 32,761	$ 2,024,208	$ 13,618,198
Other	-	32,291	-	32,291
Gross receivables	11,561,229	65,052	2,024,208	13,650,489
Allowance for uncollectible accounts	(324,092)	-	(45,073)	(369,165)
Net Total Receivables	$ 11,237,137	$ 65,052	$ 1,979,135	$ 13,281,324
Accrued Interest Receivable	$ 221,100	$ -	$ 10,049	$ 231,149

The Enterprise Fund accounts receivable includes unbilled charges for services rendered at September 30, 2018. The water and wastewater fund also reported restricted interest receivables at year-end of $79,490.

In February of 2009, MEDC negotiated two loans from the City to redeem their 2002 tax exempt revenue bonds achieving a savings of $289,790 in interest expenses. A promissory note in the amount of $4,000,000 was executed with the City. The note is for eight years with a 4% interest on outstanding balances. During 2013, the City Council authorized the transfer of this note to the solid waste fund. In March 2013, City Council approved the re-structuring of this loan reducing the interest rate to 1% on outstanding balances effective fiscal year 2014. The balance of this note as of September 30, 2018, is $815,999.

At September 30, 2018, accounts and notes receivable on the Statement of Net Position represent amounts owed to the MEDC for loans made to private businesses in the community. If certain contractual obligations are met by some of these private enterprises at a future date, a portion of the amounts owed may be forgiven. Due to the likelihood that the provisions would be met by the corporations the City has elected to expense the advance at the time of transfer. At September 30, 2018, accounts receivable includes $2,296,651 representing sales tax owed to MEDC and accrued interest of $29,644. Receivables as of year-end for MEDC were collected after year end; therefore, no allowances for uncollectible accounts have been recorded for September 30, 2018.

At September 30, 2018, accounts receivable include $2,296,651 representing sales tax owed to MCDC, accrued interest of $28,486 and accrued receivables of $1,010. Receivables as of year-end for MCDC were collected after year end; therefore, no allowances for uncollectible accounts have been recorded for September 30, 2018.

At September 30, 2018, MMS accounts receivable include $1,732 for services provided. Receivables as of year-end for MMS were collected after year-end; therefore, no allowances for uncollectible accounts have been recorded for September 30, 2018.

G. Capital Assets

Capital asset activity for the year ended September 30, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
GOVERNMENTAL ACTIVITIES					
Capital assets not being depreciated:					
Land	$ 32,847,405	$ 3,291,473	$ -	$ 1,651,344	$ 37,790,222
Works of art	26,000	6,000	-	-	32,000
Construction in progress	36,001,657	25,753,727	(996,792)	(23,232,041)	37,526,551
Total Capital Assets, Not Being Depreciated	68,875,062	29,051,200	(996,792)	(21,580,697)	75,348,773
Capital assets being depreciated:					
Buildings	165,033,732	361,345	-	14,924,884	180,319,961
Infrastructure	757,645,319	28,315,682	-	6,566,544	792,527,545
Machinery and equipment	56,290,175	10,233,860	(974,047)	(416,122)	65,133,866
Service animals	40,000	5,000	(25,000)	-	20,000
Total Capital Assets Being Depreciated	979,009,226	38,915,887	(999,047)	21,075,306	1,038,001,372
Less accumulated depreciation for:					
Buildings	(38,792,981)	(4,829,501)	-	65,449	(43,557,033)
Infrastructure	(382,198,383)	(33,475,261)	-	(57,530)	(415,731,174)
Machinery and equipment	(34,447,592)	(5,908,542)	955,689	(7,919)	(39,408,364)
Service animals	(13,655)	(3,649)	10,583	-	(6,721)
Total Accumulated Depreciation	(455,452,611)	(44,216,953)	966,272	-	(498,703,292)
Total Capital Assets Being Depreciated, Net	523,556,615	(5,301,066)	(32,775)	21,075,306	539,298,080
Governmental Activities, Capital Assets, Net	$ 592,431,677	$ 23,750,134	$ (1,029,567)	$ (505,391)	$ 614,646,853
BUSINESS-TYPE ACTIVITIES					
Capital assets not being depreciated:					
Land	$ 29,988,758	$ -	$ -	$ 22,384,062	$ 52,372,820
Construction in progress	8,840,391	43,151,107	(2,194,246)	(26,135,386)	23,661,866
Total Capital Assets, Not Being Depreciated	38,829,149	43,151,107	(2,194,246)	(3,751,324)	76,034,686
Capital assets being depreciated:					
Buildings	38,650,837	-	-	1,375,623	40,026,460
Infrastructure	492,433,074	23,194,764	-	2,375,701	518,003,539
Machinery and equipment	13,170,591	347,380	(180,865)	505,391	13,842,497
Total Capital Assets Being Depreciated	544,254,502	23,542,144	(180,865)	4,256,715	571,872,496
Less: accumulated depreciation for:					
Buildings	(10,957,819)	(1,425,099)	-	4,340	(12,378,578)
Infrastructure	(116,984,840)	(12,128,117)	-	(4,340)	(129,117,297)
Machinery and equipment	(7,017,904)	(1,208,379)	165,498	-	(8,060,785)
Total Accumulated Depreciation	(134,960,563)	(14,761,595)	165,498	-	(149,556,660)
Total Capital Assets Being Depreciated, Net	409,293,939	8,780,549	(15,367)	4,256,715	422,315,836
Business-type Activities, Capital Assets, Net	$ 448,123,088	$ 51,931,656	$ (2,209,613)	$ 505,391	$ 498,350,522

Depreciation expense was charged to functions/programs of the primary government as follows:

GOVERNMENTAL ACTIVITIES	
Development	$ 246,491
Fire	3,092,329
Fleet maintenance	38,430
General government	3,120,401
Libraries	408,725
Parks and recreation	4,810,744
Police	1,331,978
Public works	31,167,855
Total Depreciation Expense Governmental Activities	$ 44,216,953
BUSINESS-TYPE ACTIVITIES	
Airport	$ 4,158,763
Golf Course	164,006
Solid Waste	60,596
Surface Water Drainage	25,038
Water and Wastewater	10,353,192
Total Depreciation Expense Business-type Activities	14,761,595
Airport	
Amortization of excess cost of consideration	393,067
Total Depreciation and Amortization Business-type Activities	$ 15,154,662

Capital asset activity for discretely presented component units for the year ended September 30, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
MEDC:					
Capital assets not being depreciated:					
Land	$ 14,789,413	$ 52,253,692	$ -	$ -	$ 67,043,105
Total Capital Assets, Not Being Depreciated	14,789,413	52,253,692	-	-	67,043,105
Capital assets being depreciated:					
Improvements other than buildings	257,783	-	-	-	257,783
Machinery and equipment	28,231	-	-	-	28,231
Total Capital Assets Being Depreciated	286,014	-	-	-	286,014
Less: accumulated depreciation for:					
Improvements other than buildings	(245,968)	(11,815)	-	-	(257,783)
Machinery and equipment	(27,693)	(538)	-	-	(28,231)
Total Accumulated Depreciation	(273,661)	(12,353)	-	-	(286,014)
Total Capital Assets Being Depreciated, Net	12,353	(12,353)	-	-	-
Capital Assets, Net	$ 14,801,766	$ 52,241,339	$ -	$ -	$ 67,043,105

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
MCDC:					
Capital assets not being depreciated:					
Land	$ 4,970,062	$ -	$ -	$ -	$ 4,970,062
Total Capital Assets, Not Being Depreciated	4,970,062	-	-	-	4,970,062
Capital assets being depreciated:					
Infrastructure	2,823,107	-	-	-	2,823,107
Total Capital Assets Being Depreciated	2,823,107	-	-	-	2,823,107
Less: accumulated depreciation for:					
Infrastructure	(827,268)	(141,883)	-	-	(969,151)
Total Accumulated Depreciation	(827,268)	(141,883)	-	-	(969,151)
Total Capital Assets Being Depreciated, Net	1,995,839	(141,883)	-	-	1,853,956
Capital Assets, Net	$ 6,965,901	$ (141,883)	$ -	$ -	$ 6,824,018
MMS:					
Capital assets not being depreciated:					
Construction in progress	$ -	$ 17,000	$ -	$ -	$ 17,000
Total Capital Assets, Not Being Depreciated	-	17,000	-	-	17,000
Capital assets being depreciated:					
Machinery and equipment	41,581	-	-	-	41,581
Total Capital Assets Being Depreciated	41,581	-	-	-	41,581
Less: accumulated depreciation for:					
Machinery and equipment	(4,272)	(6,577)	-	-	(10,849)
Total Accumulated Depreciation	(4,272)	(6,577)	-	-	(10,849)
Total Capital Assets Being Depreciated, Net	37,309	(6,577)	-	-	30,732
Capital Assets, Net	$ 37,309	$ 10,423	$ -	$ -	$ 47,732

Capital Improvement Program Commitments

The City has active construction projects as of September 30, 2018. The projects include Governmental type activities such as: streets, parks, fire, police, facilities, library and stormwater construction. The commitment for Governmental Activities is being financed by General Obligation Bonds, Certificates of Obligation Bonds, impact fees, developer contributions and grants. The Water and Wastewater, and Airport are being financed by revenue bonds, Certificate of Obligation Bonds, impact fees, developer contributions and grants. The remaining commitment was expenditures not spent. Commitments for construction in progress are composed of the following:

	Project Budget Appropriation	Spent-to-date	Remaining Commitment
Governmental	$ 227,592,598	$ 72,059,766	$ 155,532,832
Water and Wastewater	95,570,160	22,584,166	72,985,994
Airport	41,918,425	29,851,711	12,066,714
Total	$ 365,081,183	$ 124,495,643	$ 240,585,540

H. Interfund Receivables, Payables and Transfers

A summary of interfund receivables and payables balances at September 30, 2018, is as follows:

Receivable Fund	Payable Fund	Amount	Primary Purpose
General Fund	Water/Wastewater Fund	$ 230,910	Franchise fee accrual
General Fund	Solid Waste	14,225	License fee accrual
General Fund	Nonmajor Governmental Funds	98,000	To cover cash shortage
Water/Wastewater Fund	Solid Waste	14,995	Sanitation billing accrual
		$ 358,130	

Fund level transfers during the year were as follows:

	Transfers In					
Transfers Out	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Airport Fund	Nonmajor Enterprise Funds	Total
General Fund	$ -	$ 3,000,000	$ 500,000	$ 8,413,000	$ -	$ 11,913,000
Capital Projects Fund	-	-	-	7,000,000	-	7,000,000
Nonmajor Governmental Funds	241,000	4,000	-	3,000,000	-	3,245,000
Water/Wastewater Fund	2,163,280	-	-	-	65,796	2,229,076
Airport Fund	25,000	-	-	-	-	25,000
Nonmajor Enterprise Funds	842,450	-	-	-	-	842,450
Internal Service Funds	-	-	-	4,500,000	-	4,500,000
	$ 3,271,730	$ 3,004,000	$ 500,000	$ 22,913,000	$ 65,796	$ 29,754,526

Transfers are used to:

- Move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due.
- Move restricted amounts from borrowing to the debt service fund to establish mandatory reserve accounts.
- Move unrestricted general fund revenues to finance various programs that the City must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grants program.
- Support monthly general and administrative fees which are expected to be paid from governmental activities.

The City's more significant transfers are listed below:

- Transfers of $3,005,730 were made from the enterprise funds to the general fund in order to support monthly general and administrative fees and capital replacements which are expected to be paid from governmental activities.
- Transfers of $22,913,000 were made from several funds to the airport fund for a hanger development project.

In addition to the schedule above, transfers of $505,391 consisting of capital assets were made from governmental activities to enterprise funds.

Note Receivable

In January 2010, City Council approved a loan from the solid waste fund to the golf course fund. The loan was issued in the amount of $800,000. In March 2011, City Council approved an increase to the existing loan of $261,000. The balance of the note as of September 30, 2018, is $680,437. Under the loan agreement, the golf course fund will make interest payments annually at a rate of 1.75% through 2030.

In March 2017, City Council approved a loan from the solid waste fund to the airport fund. The loan was issued in the amount of $5,000,000, which was the balance as of September 30, 2018. Under the loan agreement, the airport will make interest payments annually at a rate of 1.49% through 2028.

I. Unavailable/Unearned Revenue

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned. Tax, court, EMS and franchise fees which are reported as unavailable revenue in the governmental funds are recorded as revenue in the government-wide financial statements. Grant and miscellaneous revenues are reported as unearned in both the governmental fund and government-wide financial statements.

At the end of the current fiscal year, the various components of unavailable and unearned revenue reported in the governmental funds were as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	Grants Fund	Unavailable Revenue	Unearned Revenue
Tax revenue	$ 523,444	$ 228,563	$ -	$ -	$ 752,007	$ -
Court revenue	1,273,002	-	-	-	1,273,002	-
EMS revenue	777,842	-	-	-	777,842	-
Franchise fees	1,092,548	-	-	-	1,092,548	-
Miscellaneous	900,454	-	-	-	-	900,454
Grants	-	-	37,558	12,023	-	49,581
	$ 4,567,290	$ 228,563	$ 37,558	$ 12,023	$ 3,895,399	$ 950,035

J. Long-term Debt

A summary of long-term debt transactions, including current portion, for the year ended September 30, 2018, is as follows:

	Beginning Balance (Restated)	Additions	Reductions	Ending Balance	Due Within One Year
GOVERNEMENTAL ACTIVITIES					
Bonds Payable					
General obligation bonds	$ 182,625,000	$ 30,875,000	$ (18,685,000)	$ 194,815,000	$ 21,655,000
Certificates of obligation	43,080,000	-	(1,880,000)	41,200,000	1,765,000
Tax notes	2,505,000	-	(1,240,000)	1,265,000	1,265,000
	228,210,000	30,875,000	(21,805,000)	237,280,000	24,685,000
Issuance premium	19,693,842	2,114,107	(3,251,188)	18,556,761	3,038,601
Total bonds payable	247,903,842	32,989,107	(25,056,188)	255,836,761	27,723,601
Capital lease	1,095,110	-	(291,915)	803,195	299,825
Net pension liability	40,340,054	-	(10,382,959)	29,957,095	-
Total OPEB liability	14,003,740	2,091,768	-	16,095,508	-
Compensated absences	11,099,748	779,163	-	11,878,911	751,935
Governmental Activities Long-term Debt	$ 314,442,494	$ 35,860,038	$ (35,731,062)	$ 314,571,470	$ 28,775,361

	Beginning Balance (Restated)	Additions	Reductions	Ending Balance	Due Within One Year
BUSINESS-TYPE ACTIVITIES					
Bonds payable:					
Water and wastewater revenue bonds	$ 101,960,000	$ 11,415,000	$ (5,785,000)	$ 107,590,000	$ 6,305,000
Issuance premium	12,786,639	701,633	(1,425,279)	12,062,993	1,410,242
Total bonds payable	114,746,639	12,116,633	(7,210,279)	119,652,993	7,715,242
Net pension liability	5,337,275	-	(1,564,942)	3,772,333	-
Total OPEB liability	1,670,535	142,825	-	1,813,360	-
Compensated absences	955,703	15,992	-	971,695	61,509
Business-type Activities: Long-term Debt	$ 122,710,152	$ 12,275,450	$ (8,775,221)	$ 126,210,381	$ 7,776,751

A summary for long-term debt transactions, including current portion, for the discretely presented component units for the year ended September 30, 2018 is as follows:

	Beginning Balance (Restated)	Additions	Reductions	Ending Balance	Due Within One Year
MEDC:					
Bonds payable:					
Sales tax revenue bonds	$ 10,635,000	$ 20,110,000	$ (1,155,000)	$ 29,590,000	$ 2,845,000
Note payable to primary government	1,623,919	-	(807,920)	815,999	815,999
Net pension liability	434,881	-	(19,837)	415,044	-
Total OPEB liability	136,115	63,396	-	199,511	-
Compensated absences	69,979	14,583	-	84,562	5,353
Component Unit Activities Long-term Debt	$ 12,899,894	$ 20,187,979	$ (1,982,757)	$ 31,105,116	$ 3,666,352
MCDC:					
Bonds payable:					
Sales tax revenue bonds	$ 22,355,000	$ -	$ (975,000)	$ 21,380,000	$ 990,000
Net pension liability	95,720	-	(28,871)	66,849	-
Total OPEB liability	29,960	2,174	-	32,134	-
Compensated absences	37,598	803	-	38,401	2,431
Component Unit Activities Long-term Debt	$ 22,518,278	$ 2,977	$ (1,003,871)	$ 21,517,384	$ 992,431
MCVB:					
Net pension liability	$ 164,303	$ -	$ (42,296)	$ 122,007	$ -
Total OPEB liability	51,426	7,223	-	58,649	-
Compensated absences	60,135	2,803	-	62,938	3,981
Component Unit Activities Long-term Debt	$ 275,864	$ 10,026	$ (42,296)	$ 243,594	$ 3,981

Bonds Payable	Issue Date	Interest Rate	Maturity Date	Amount Outstanding
MEDC:				
Sales Tax Revenue Bonds 2011, Tax Exempt 2011	2/1/2011	2.5-4.38%	9/1/2025	$ 3,880,000
Sales Tax Revenue Bonds 2016, Taxable 2016	12/14/2016	2.49%	9/1/2025	5,600,000
Sales Tax Revenue Bonds 2018, Taxable 2018	8/1/2018	3.65%	9/1/2028	20,110,000
Total Bonds Payable				$ 29,590,000
MCDC:				
Sales Tax Revenue Bonds 2015, Taxable	2/25/2015	.75 - 4.12%	8/15/2035	$ 21,380,000

Compensated Absences

Compensated absences represent the estimated liability for employees' accrued holiday, portion of sick leave, compensatory time and vacation leave for which employees are entitled to be paid upon termination. The retirement of this liability is typically paid from the General Fund and Enterprise Funds based on the assignment of an employee at termination.

General Obligation Bonds, Certificates of Obligation, and Tax Notes

The General Obligation Bonds include $237,280,000 of Bonds, Certificates of Obligation, and Tax Notes with interest rates ranging from 1.42% to 5.00% maturing annually in varying amounts through 2038. Interest for these obligations is payable semi-annually. They are backed by the full faith and credit of the City and are payable from property taxes. The Certificates are additionally secured, by a limited pledge of certain net revenues of the City as specified in their official statements.

In September 2018, the City issued $30,875,000 General Obligation Bonds, Series 2018. The debt was issued for street construction and improvements. The bonds were issued with a premium of $2,114,107 with interest rates ranging from 3.375% to 5.0% and mature through 2038.

Debt service requirements of the general obligation bonds, certificates of obligation bonds, and tax notes for the years subsequent to September 30, 2018, are as follows:

	General Obligation Bonds			Certificates of Obligation		
Fiscal Year	Principal Requirements	Interest Requirements	Total Requirements	Principal Requirements	Interest Requirements	Total Requirements
2019	$ 21,655,000	$ 8,865,581	$ 30,520,581	$ 1,765,000	$ 1,678,093	$ 3,443,093
2020	18,315,000	8,011,693	26,326,693	1,770,000	1,625,636	3,395,636
2021	17,685,000	7,146,918	24,831,918	1,935,000	1,569,422	3,504,422
2022	17,225,000	6,284,930	23,509,930	2,095,000	1,503,764	3,598,764
2023	17,665,000	5,449,800	23,114,800	2,255,000	1,430,295	3,685,295
2024-2028	52,085,000	16,888,200	68,973,200	16,300,000	5,635,971	21,935,971
2029-2033	33,895,000	7,403,398	41,298,398	12,110,000	1,905,708	14,015,708
2034-2038	16,290,000	1,290,527	17,580,527	2,970,000	203,155	3,173,155
	$ 194,815,000	$ 61,341,047	$ 256,156,047	$ 41,200,000	$ 15,552,044	$ 56,752,044

	Tax Notes			
Fiscal Year	Principal Requirements	Interest Requirements	Total Requirements	Total GO, CO, and Tax Notes Requirements
2019	$ 1,265,000	$ 25,300	$ 1,290,300	$ 35,253,974
2020	-	-	-	29,722,329
2021	-	-	-	28,336,340
2022	-	-	-	27,108,694
2023	-	-	-	26,800,095
2024-2028	-	-	-	90,909,171
2029-2033	-	-	-	55,314,106
2034-2038	-	-	-	20,753,682
	$ 1,265,000	$ 25,300	$ 1,290,300	$ 314,198,391

Proceeds of General Obligation Bonds are recorded in the Capital Projects Fund and are restricted to the use for which they were approved in the bond elections. The City Charter expressly prohibits the use of bond proceeds to fund operating expenditures. The City Charter does not prescribe a debt limit.

Revenue Bonds

The revenue bonds are serial obligations with interest rates ranging from 2.00% to 5.00%, maturing annually in varying amounts through years 2038 and interest is payable semi-annually. Revenue bonds are used to finance the acquisition and construction of major capital improvements for the water and sewer system and related facilities. These revenue bonds constitute special obligations of the City solely secured by a lien on and pledge of the net revenues of the water and sewer system.

The revenue bonds are collateralized by the revenue of the Water and Wastewater Fund and the Debt Service Reserve Fund established by the bond ordinances. The ordinances provide that the gross revenues are to be used first to pay operating and maintenance expenses of the system, and second to maintain revenue bond funds in accordance with bond covenants. Remaining revenues may then be used for any lawful purpose. The ordinances also contain provisions which, among other items, restrict the issuance of additional revenue bonds unless the special funds noted above contain the required amounts and certain financial ratios are met. Annual principal and interest requirements on revenue bonds was less than 40 percent of net revenues. The City is in compliance with the revenue bond debt covenants as of September 30, 2018.

In September 2018, the City issued $11,415,000 Waterworks and Sewer System Revenue Bonds, Series 2018. The debt was issued to fund capital improvements to the System. The bonds were issued with a premium of $701,633 with interest rates ranging from 3.0% to 5.0% and mature through 2038.

Debt service requirements of the water and wastewater revenue bonds for the years subsequent to September 30, 2018, are as follows:

	Revenue Bonds		
Fiscal Year	Principal	Interest	Total
2019	$ 6,305,000	$ 4,553,084	$ 10,858,084
2020	7,050,000	4,278,350	11,328,350
2021	7,225,000	3,973,581	11,198,581
2022	7,435,000	3,649,339	11,084,339
2023	7,620,000	3,342,906	10,962,906
2024-2028	32,875,000	12,032,053	44,907,053
2029-2033	21,285,000	6,150,288	27,435,288
2034-2038	17,795,000	1,571,908	19,366,908
	$ 107,590,000	$ 39,551,509	$ 147,141,509

Sales Tax Revenue Bonds

The sales tax revenue bonds are serial obligations with interest rates ranging from 1.55% to 4.38%, maturing annually in varying amounts through years 2035 and interest is payable semi-annually. These bonds are special obligations of the corporations payable from and secured by a lien on and pledge of the proceeds of the ¼ of the ½ cent sales and use tax levied within the City for the benefit of the respective component unit corporation.

The sales tax revenue bonds are used to defray the cost of any "project" defined as such by the *Development Corporation Act of 1979*, as amended. MEDC bonds were issued for approved projects of runway improvements at the City's airport and land acquisition. MCDC bonds were issued to construct and equip a community aquatics and fitness center to be donated to the City. These bonds are collateralized by the gross sales tax revenues of the corporations and the various special funds established by the bond ordinances. The ordinances also contain provisions which, among other items, restrict the issuance of additional revenue bonds unless the special funds noted above contain the required amounts and certain financial ratios are met.

Annual principal and interest requirements on sales tax revenue bonds for the Corporations were less than 15% of gross sales tax revenues. The Corporations are in compliance with the bond covenants as of September 30, 2018.

Debt service requirements for the discretely presented component units of the sales tax revenue bonds for the years subsequent to September 30, 2018, are as follows:

	Sales Tax Revenue Bonds		
MEDC Fiscal Year	**Principal**	**Interest**	**Total**
2019	$ 2,845,000	$ 1,091,985	$ 3,936,985
2020	3,015,000	935,888	3,950,888
2021	3,130,000	832,733	3,962,733
2022	3,250,000	725,582	3,975,582
2023	3,375,000	614,312	3,989,312
2024-2028	13,975,000	1,378,338	15,353,338
	$ 29,590,000	$ 5,578,838	$ 35,168,838

MCDC Fiscal Year	**Principal Requirements**	**Interest Requirements**	**Total**
2019	$ 990,000	$ 730,792	$ 1,720,792
2020	1,010,000	711,230	$ 1,721,230
2021	1,030,000	688,848	1,718,848
2022	1,055,000	663,284	1,718,284
2023	1,085,000	636,044	1,721,044
2024-2028	5,920,000	2,671,780	8,591,780
2029-2033	7,055,000	1,545,161	8,600,161
2034-2035	3,235,000	201,409	3,436,409
	$ 21,380,000	$ 7,848,548	$ 29,228,548

MEDC Sales Tax Revenue Refunding

In August 2018, the MEDC issued $20,110,000 Sales Tax Revenue Bonds, Taxable Series 2018. The debt was issued to fund land acquisition for development with the City and mature through 2028.

Note Payable

Notes Payable to Primary Government consisted of Tax Exempt 2002 Bonds.

In February of 2009, the MEDC negotiated a loan from the City of McKinney. Proceeds were used to redeem their 2002 Tax-Exempt and Taxable revenue bonds achieving a savings of $587,685 in interest expenses. Two promissory notes, in the amount of $4,000,000 for the Tax-Exempt 2002 bonds, and $7,070,000 for the Taxable 2002 bonds, were executed on February 27, 2009. In March 2013, City Council approved the re-structuring of this loan reducing the interest rate to 1% on outstanding balances effective fiscal year 2014. The balance of this note as of September 30, 2018, is $815,999.

Debt service requirements of the notes payable applicable to the Tax Exempt 2002 bonds for the years subsequent to September 30, 2018, are as follows:

MEDC Fiscal Year	Principal Requirements	Interest Requirements	Total
2019	$ 815,999	$ 8,160	$ 824,159
	$ 815,999	$ 8,160	$ 824,159

Capital Leases

The City has entered into two capital leases to acquire fire trucks classified as general government machinery and equipment in the gross amount of $2,451,255 with a net book value of $ $1,745,726. Debt service requirements of the City's capital leases for the years subsequent to September 30, 2018, are as follows:

Fiscal Year	Principal Requirements	Interest Requirements	Total
2019	$ 299,825	$ 21,853	$ 321,678
2020	307,953	13,726	321,679
2021	195,417	5,379	200,796
	$ 803,195	$ 40,958	$ 844,153

H. Restricted Assets

The balances of the restricted asset accounts in the enterprise funds are as follows:

	Cash and Investments	Accrued Interest Receivable	Total
Water and Wastewater Funds:			
Operating Fund	$ 3,683,925	$ -	$ 3,683,925
Utility Capital Projects Fund	86,363,630	54,486	86,418,116
Utility Development Impact Fee	10,286,227	-	10,286,227
Revenue Debt Service Fund	6,643,711	-	6,643,711
Revenue Bond Reserve Fund	6,846,960	25,004	6,871,964
Airport Funds:			
Operating Fund	96,086	-	96,086
Airport Construction Fund	3,098,330	-	3,098,330
Golf Course Fund	10,000	-	10,000
Solid Waste Fund	-	10,049	10,049
	$ 117,028,869	$ 89,539	$ 117,118,408

The ordinance authorizing the water and wastewater system revenue bonds requires that the City establish a fund, Revenue Bond Reserve Fund, to reserve an amount not less than the average annual requirement for the payment of principal and interest on all the revenue bonds. At September 30, 2018, net position is sufficient to satisfy such bond ordinance requirements.

The ordinance further requires that the proceeds from the sale of revenue bonds be expended for certain capital improvements to the water and wastewater system. The proceeds are maintained as Restricted Assets – Utility Capital Projects Fund until such time as needed to fund the water and wastewater system construction program.

(4) DEFERRED COMPENSATION PLAN

The City offers its employees two deferred compensation plans created in accordance with Internal Revenue Code Section 457. One plan is administered by the International City Management Association Retirement Corporation (ICMARC) and the other is administered by Nationwide. All assets and income are held in trust for the exclusive benefit of participants and their beneficiaries, therefore it is not reported in the financial statements of the City. Assets and liabilities are not included in the City's basic financial statements.

The plan, available to all full-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

(5) PENSION PLAN

A. Plan Description

The City and three of its component units participate as one of 883 plans in the nontraditional, joint contributory, hybrid defined benefit agent multiple-employer pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS, an agency created by the State of Texas and administered in accordance with the *TMRS Act*, Subtitle G, Title 8, Texas Government Code (TMRS Act) is an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of the City are required to participate in TMRS.

Benefits Provided:

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven actuarially equivalent payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

A summary of plan provisions for the City are as follows:

Employee Deposit Rate:	7.0%
Matching Ratio (City to employee):	2 to 1
Years required for vesting	5 years
Service retirement eligibility	20 years at any age, 5 years at age 60 and above
Updated service credit	100% Repeating, Transfers
Annuity increase to retirees	70% of CPI Repeating

Employees Covered by Benefit Terms:

At the December 31, 2017, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	292
Inactive employees entitled to but not yet receiving benefits	394
Active employees	1,030
Total	1,716

B. Contributions

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. Employer contributions are actuarially determined; for the fiscal year ended September 30, 2018, the City and its component units made contributions of $11,618,161 or 15.34% of covered payroll.

C. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

D. Actuarial Assumptions

The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2017, valuation were based on the results of actuarial experience studies. This experience study was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75% for the 2015 actuarial valuation. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Domestic equity	17.5%	4.55%
International equity	17.5%	6.35%
Core fixed income	10.0%	1.00%
Non-core fixed income	20.0%	4.15%
Real return	10.0%	4.15%
Real estate	10.0%	4.15%
Absolute return	10.0%	4.00%
Private equity	5.0%	7.75%
Total	100%	

E. Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will remain at the current 7% rate and employer contributions will be made at the rates specified by statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of October 1, 2017	$ 249,860,330	$ 203,488,097	$ 46,372,233
Changes for the year:			
Service cost	13,043,869	-	13,043,869
Interest on total pension liability	17,075,327	-	17,075,327
Effect of difference in expected and actual experience	1,529,198	-	1,529,198
Benefit payments	(6,828,906)	(6,828,906)	-
Administrative expenses	-	(146,159)	146,159
Member contributions	-	4,903,710	(4,903,710)
Net investment income	-	28,219,049	(28,219,049)
Employer contributions	-	10,718,106	(10,718,106)
Other	-	(7,407)	7,407
Balances as of September 30, 2018	$ 274,679,818	$ 240,346,490	$ 34,333,328
City	$ 269,848,223	$ 236,118,795	$ 33,729,428
Component Units	$ 4,831,595	$ 4,227,695	$ 603,900

F. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City and its component units, calculated using the discount rate of 6.75%, as well as what the City and its component unit's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 77,930,730	$ 33,729,428	$ (2,024,641)
Component unit's net pension liability			
MEDC	958,973	415,056	(24,914)
MCDC	154,448	66,847	(4,013)
MCVB	281,925	122,021	(7,324)

G. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

H Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

For the year ended September 30, 2018, the City and its component units recognized pension expense of $11,746,061 and $210,304, respectively.

At September 30, 2018, the City and its component units reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		MEDC	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 3,089,527	$ (800,131)	$ 38,018	$ (9,846)
Changes of assumptions	-	(2,298)	-	-
Differences between projected and actual investment earnings	-	(6,275,583)	-	(77,222)
Contributions subsequent to the measurement date through year-end	8,342,893	-	102,659	-
Total	$ 11,432,420	$ (7,078,012)	$ 140,677	$ (87,068)

	MCDC		MCVB	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 6,123	$ (1,586)	$ 11,177	$ (2,895)
Changes of assumptions	-	-	-	-
Differences between projected and actual investment earnings	-	(12,437)	-	(22,699)
Contributions subsequent to the measurement date through year-end	16,535	-	30,176	-
Total	$ 22,658	$ (14,023)	$ 41,353	$ (25,594)

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of $8,342,893 and $149,370 will be recognized as a reduction of the net pension liability of the City and its component units, respectively, for the year ending September 30, 2019.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30	Primary Government	MEDC	MCDC	MCVB
2019	$ 317,081	$ 3,902	$ 628	$ 1,147
2020	(81,261)	(1,000)	(161)	(294)
2021	(2,441,818)	(30,020)	(4,835)	(8,833)
2022	(2,267,195)	(27,899)	(4,493)	(8,202)
2023	348,137	4,284	690	1,259
Thereafter	136,571	1,683	271	506
Total	$ (3,988,485)	$ (49,050)	$ (7,900)	$ (14,417)

(6) POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Retiree Health Care Plan

A. Plan Description

The City provides postemployment medical and dental benefits (OPEB) for eligible retirees, their spouses and dependents through a single-employer defined benefit plan, which covers both active and retired members.

All medical care benefits are provided through the City's self-insured health plan. The two optional benefit levels, CityCare PPO and CityCare Plus PPO, are the same for retirees as those afforded to active employees.

B. Benefits Provided

To be eligible for coverage a retiree must qualify under all three of the following:

1. Has been covered as an employee for medical benefits under the City of McKinney Employee Healthcare Plan immediately prior to retirement; and

2. Applies for pension benefits from TMRS in accordance with their requirements and deadlines, but in no event later than the effective date of retirement; and

3. Enrolls for Retiree health coverage no later than the effective date of retirement.

Retirees who elect COBRA cannot later elect retiree coverage. Retirees are not allowed to add additional dependents upon retirement. Retirees or dependents who are Medicare eligible may not remain on the Plan; however, retirees may elect to purchase a Medicare supplement offered by the City.

As of December 31, 2017, the following employees were covered by the benefit terms:

Retirees and beneficiaries receiving benefits	22
Terminated employees eligible for benefits, but not yet enrolled	-
Active employees	940
Total	962

C. Accounting Policy

An irrevocable trust has not been established that meets the criteria in paragraph 4 of GASB Statement No. 75. Therefore, the plan is not accounted for as a trust fund. The plan does not issue a separate financial report.

D. Funding Policies

The benefit levels and contribution rates are approved annually by the City management and the City Council as part of the budget process. By the City not contributing anything toward this plan in advance, the City employs a pay-as-you-go method through ensuring the annual retiree contributions are equal to the benefits that are paid on behalf of the retirees. OPEB expense as actuarially determined for the City and its component units was $1,530,131 and $27,396, respectively.

The monthly Retiree health coverage contribution rates for offered benefit levels are as follows:

CITYCARE PPO			CITYCARE PLUS PPO		
Single Coverage	$	540	Single Coverage	$	1,440
Singe + Spouse	$	3,480	Singe + Spouse	$	4,920
Single + Children	$	3,000	Single + Children	$	4,440
Single + Family	$	4,800	Single + Family	$	6,840

E. Actuarial Methods and Assumptions

Significant methods and assumptions used in the December 31, 2016, actuarial valuation are as follows:

Actuarial Cost Method	Individual Entry-Age
Discount Rate	3.31% as of December 31, 2017 (3.81% in prior year) Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in the Fidelity “20-Year Municipal GO AA Index” as of December 31, 2017.
Inflation	2.50% per annum
Salary Increases	3.50% to 10.50%, including inflation
Demographic Assumption	Based on the experience study covering the four-year period ending December 31, 2014, as conducted for the Texas Municipal Retirement System (TMRS)
Mortality	For healthy retirees, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.
Health Care Trend Rates	7.50% decreasing to an ultimate rate of 4.25% over 15 years.
Participation Rates	It was assumed that retirees would choose to receive retiree health care benefits through the City as follows:

Age at Retirement	Participation Assumption
< 50	0%
50 – 55	15%
55 +	50%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and contributions of the City's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

F. Total OPEB Liability

The total OPEB liability of $16,213,734 (City) and $290,293 (Component Units) was measured as of December 31, 2017, and was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017.

The total OPEB liability and related information are as follows for the City and its component units at September 30, 2018:

	Total OPEB Liability
Balance as of October 1, 2017	$ 14,514,234
Changes for the year:	
Service cost	918,051
Interest on total OPEB liability	564,874
Effect of difference in expected and actual experience	3,299
Change of assumptions (discount rate change)	797,890
Benefit payments	(294,321)
Balance as of September 30, 2018	$ 16,504,027
City	$ 16,213,734
Component Units	$ 290,293

Although not considered contributions under GASB 75, the City has assigned $4,374,343 of fund balance in the General Fund for funding of the total OPEB liability.

G. OPEB Expense and Deferred Outflows of Resources Related to OPEBs:

At September 30, 2018, the City and its component units reported deferred outflows of resources related to OPEBs from the following sources:

	Primary Government	MEDC	MCDC	MCVB
	Deferred Outflows of Resources	Deferred Outflows of Resources	Deferred Outflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ 2,939	$ 36	$ 6	$ 11
Changes of assumptions	710,868	8,747	1,409	2,571
Benefit payments subsequent to the measurement date through year-end	36,962	455	73	134
Total	$ 750,769	$ 9,238	$ 1,488	$ 2,716

Deferred outflows of resources related to OPEBs resulting from benefit payments subsequent to the measurement date of $36,962 and $662 will be recognized as a reduction of the total OPEB liability of the City and its component units, respectively, for the year ending September 30, 2019.

Other amounts reported as deferred outflows related to OPEBs will be recognized in OPEB expense as follows:

Year Ended September 30	Primary Government	MEDC	MCDC	MCVB
2019	$ 73,290	$ 902	$ 145	$ 265
2020	73,290	902	145	265
2021	73,290	902	145	265
2022	73,290	902	145	265
2023	73,290	902	145	265
Thereafter	347,357	4,273	690	1,257
Total	$ 713,807	$ 8,783	$ 1,415	$ 2,582

H. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City and its component units, calculated using the discount rate of 3.31%, as well as what the City and its component unit's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.31%) or 1-percentage-point higher (4.31%) than the current discount rate:

	1% Decrease in Discount Rate (2.31%)	Current Discount Rate (3.31%)	1% Increase in Discount Rate (4.31%)
City's total OPEB liability	$ 17,902,917	$ 16,213,734	$ 14,684,965
Component unit's total OPEB liability			
MEDC	220,303	199,510	180,705
MCDC	35,481	32,134	29,104
MCVB	64,766	58,649	53,125

I. Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the City and its component units, as well as what the City and its component unit's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Healthcare Cost Trend Rates Assumption	1% Increase
City's total OPEB liability	$ 14,024,992	$ 16,213,734	$ 18,842,487
Component unit's total OPEB liability			
MEDC	172,584	199,510	231,865
MCDC	27,796	32,134	37,343
MCVB	50,737	58,649	68,165

Supplemental Death Benefit Fund

A. Plan Description

The City contributes to a single-employer defined benefit OPEB plan, the group-term life insurance plan known as the SDBF. This is a voluntary program administered by the Texas Municipal Retirement System (TMRS) in which the City elected, by ordinance, to provide group term life insurance coverage to active and retired members. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

B. Benefits Provided

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit (OPEB) and is a fixed amount of $7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

The member city contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers.

As of December 31, 2017, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	195
Inactive employees entitled to but not yet receiving benefits	119
Active employees	1,030
	1,344

C. Accounting Policies

An irrevocable trust has not been established that meets the criteria in paragraph 4 of GASB Statement No. 75. Therefore, the plan is not accounted for as a trust fund. The plan does not issue a separate financial report.

D. Actuarial Methods and Assumptions

Significant methods and assumptions used in the December 31, 2017, actuarial valuation are as follows:

Actuarial Cost Method	Entry Age Normal
Discount Rate	3.31% as of December 31, 2017 (3.78% in prior year) Source: Fidelity Index's "20-Year Municipal GO AA Index"
Inflation	2.50%
Salary Increases	3.50% to 10.50%, including inflation
Retirees' share of benefit related costs	$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates – disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

E. Total OPEB Liability

The City's total OPEB liability of $1,695,134 was measured as of December 31, 2017, and was determined by an actuarial valuation as of that date.

The total OPEB liability and related information are as follows for the City at September 30, 2018:

	Total OPEB Liability
Balance as of October 1, 2017	$ 1,377,543
Changes for the year:	
Service cost	112,085
Interest on total OPEB liability	54,057
Change of assumptions (discount rate change)	158,454
Benefit payments	(7,005)
Balance as of September 30, 2018	$ 1,695,134

F. OPEB Expense and Deferred Outflows of Resources Related to OPEBs:

For the year ended September 30, 2018, the City recognized OPEB expense of $185,233.

At September 30, 2018, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Changes of assumptions	$ 120,272
Benefit payments subsequent to the measurement date through year-end	71,875
Total	$ 192,147

Benefit payments subsequent to the measurement date and before fiscal year-end of $71,875 will be recognized as a reduction of the total OPEB liability in the year ending September 30, 2019.

Other amounts reported as deferred outflows related to OPEBs will be recognized in OPEB expense as follows:

Year Ended September 30	
2019	$ 19,091
2020	19,091
2021	19,091
2022	19,091
2023	19,091
Thereafter	24,817
Total	$ 120,272

G. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.31%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.31%) or 1-percentage-point higher (4.31%) than the current discount rate:

	1% Decrease in Discount Rate (2.31%)	Current Discount Rate (3.31%)	1% Increase in Discount Rate (4.31%)
City's total OPEB liability	$ 2,112,070	$ 1,695,134	$ 1,380,822

(7) DISCLOSURES ABOUT FAIR VALUE OF ASSETS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

A. Investment in State Investment Pools

During the year, the City invested in multiple public fund investment pools, including TexPool, LOGIC, TexasDAILY and Texas CLASS. Investments in the pools are not categorized in accordance with GASB Statement No. 3 disclosure requirements since the City has not been issued certificates, but rather it owns an individual beneficial interest in the net position of the related investment pools. The fair value of the position of the pools for LOGIC, TexasDAILY and Texas CLASS are measured at net asset value and is designed to approximate the share value. The fair value of the position of in TexPool is measured at amortized cost as the pool meets requirements of GASB No. 79. Each pool's governing body is comprised of individuals who are employees, officers, or elected officials of participants in the funds or who do not have a business relationship with the fund and are qualified to advise. Investment objective and strategies of the pools are to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short-term marketable securities. Pools offer same day access to investment funds and does not have any limitations or restrictions on withdrawals.

B. Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2018:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
PRIMARY GOVERNMENT				
Investments by Fair Value Level				
Federal agency securities	$ 119,349,738	$ -	$ 119,349,738	$ -
Municipal bonds	2,246,523	-	2,246,523	-
Total Investments by Fair Value Level	121,596,261	$ -	$ 121,596,261	$ -
Investments Measured at Net Asset Value				
LOGIC	108,536,197			
TexasDAILY	89,274,304			
Texas CLASS	88,397,189			
	286,207,690			
Investment Measured at Amortized Cost				
TexPool/TexPOOL Prime	34,149,468			
Non-negotiable Certificates of Deposit	5,385,971			
Total Investments	$ 447,339,390			
MEDC				
Investments by Fair Value Level				
Federal agency securities	$ 3,881,412	$ -	$ 3,881,412	$ -
Investments Measured at Net Asset Value				
LOGIC	1,235,798			
TexasDAILY	198,097			
Texas CLASS	2,497,696			
	3,931,591			
Investment Measured at Amortized Cost				
TexPool/TexPOOL Prime	1,450,146			
Total Investments	$ 9,263,149			
MCDC				
Investments by Fair Value Level				
Federal agency securities	$ 5,714,318	$ -	$ 5,714,318	$ -
Investments Measured at Net Asset Value				
LOGIC	5,815,307			
TexasDAILY	7,040,525			
Texas CLASS	9,038,680			
	21,894,512			
Investment Measured at Amortized Cost				
TexPool/TexPOOL Prime	19,032,771			
Total Investments	$ 46,641,601			

Certain investments that are measured using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above approximate net asset value for all related external investment pool balances.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. At September 30, 2018, no investments held by the City met the Level 3 hierarchy classification.

(8) WATER PURCHASE, WASTEWATER AND SOLID WASTE DISPOSAL CONTRACTS

The City has a contract with the North Texas Municipal Water District (NTMWD) to purchase substantially all of its water. Under the contract, the City pays NTMWD a rate based on water usage. The rates charged are subject to minimum annual contract payments. Contract payments for water for the year ended September 30, 2018, were $30,400,628.

The City has a contract with NTMWD whereby NTMWD agreed to provide a wastewater treatment and disposal system for the benefit of the City and any "additional member city," as defined. Each member city pays an "annual payment," as defined, as its share of operating expenses and debt service of NTMWD. The City's annual payment for the year ended September 30, 2018, was $18,782,202.

The City has a contract with NTMWD whereby NTMWD agreed to dispose of solid waste for the City and any "additional member city," as defined. Each member city pays an "annual payment," as defined, as its share of operating expenses and debt service of NTMWD. The City's annual payment for the year ended September 30, 2018, was $5,557,098.

(9) LITIGATION

The City is party to several legal actions arising in the ordinary course of business. In the opinion of the City's management, the City has adequate legal defense and/or insurance coverage regarding each of these actions and does not believe that they will materially affect the City's operations or financial position.

(10) CONTINGENT LIABILITIES

The City participates in a number of Federal and State funded grant programs. These programs are subject to program compliance audits and adjustments by the grantor agencies or their representatives. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. Any liability for reimbursement, which may arise as the result of these audits is not believed to be material.

NTMWD has issued revenue bonds for systems that service participating cities. Member cities including McKinney have guaranteed to pay their share of debt service, and certain related administrative costs. NTMWD allocates these costs annually based on each city's pro-rata usage of the respective systems.

Outstanding principal balances as of September 30, 2018, are as follows:

	NTMWD Debt Service *	McKinney's Allocated Share
Water System	$ 2,127,350,000	$ 240,936,237
Wastewater System	560,385,000	116,903,672
Solid Waste System	64,045,000	14,462,158
Total	$ 2,751,780,000	$ 372,302,067

* Only represents NTMWD debt service related to systems servicing McKinney. It may not reflect NTMWD's total debt service.

(11) INSURANCE AND RISK MANAGEMENT

The City's Insurance and Risk Management Internal Service Fund accounts for health care claims, workers' compensation claims, property, and general liability claims.

The City provides health care benefits to City employees under a partially self-insured plan (Plan). Under the Plan, the City and the employees pay a predetermined monthly premium, which is based on the projected claims cost for the Plan and the extent of medical coverage selected by the employee. The monthly premiums are deposited into the Insurance and Risk Fund and are used to pay claims as they are submitted. The City's liability is limited by an excess (stop loss) insurance policy covering individual claims in excess of $150,000. The City utilizes Cigna as a third party administrator to adjudicate and pay medical claims on behalf of the City. Throughout the policy year, the "stop loss" insurance carrier reimburses the City for claims paid during the policy year which exceeded the "stop loss" deductible amount.

For the year ended September 30, 2018, the City and the City's employees' contributions paid under the Plan were $15,326,714 and $2,623,492, respectively.

The City participates in the Texas Municipal League Intergovernmental Risk Pool (TMLIRP) for workers' compensation claims, liability (general, automobile, law enforcement and errors/omissions), and property insurance. The Insurance and Risk Management internal service fund allocates costs to each department in order to pay deductibles and workers' compensation premium costs (TMLIRP contributions). This cost is based on the pool's claims cost, which is adjusted to reflect the City's individual claims experience.

The City has a workers' compensation deductible of $25,000 per accident, with an annual aggregate retention of $800,000. During 2018, the City contributed $643,906 for workers' compensation coverage.

The City maintains deductibles of $100,000 per occurrence for Error and Omissions, $50,000 per occurrence for Auto Liability, $50,000 per occurrence for Law Enforcement Liability and up to $25,000 per occurrence for all other liability coverages. All insured claims are paid by TMLIRP, with the City reimbursing TMLIRP for the deductible. The City also carries a liability policy for the Airport through STARR Companies with a $10,000 deductible. During 2018, the City contributed $1,087,416 for property, general liability and all other coverage.

The liabilities for insurance claims reported are based on GASB No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, amended by GASB No. 66, Technical Corrections, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. These liabilities include an estimate for incurred but not reported claims.

The changes in the Insurance and Risk Management liability amount in fiscal 2018 and 2017 were:

	Liability Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments and Changes in Estimates	Liability End of Year
2018				
Health Claims	$ 703,885	$ 13,632,982	$ (13,824,957)	$ 511,910
Workers' Comp	375,690	331,557	(405,518)	301,729
Total	$ 1,079,575	$ 13,964,539	$ (14,230,475)	$ 813,639
2017				
Health Claims	$ 552,543	$ 11,604,311	$ (11,452,969)	$ 703,885
Workers' Comp	338,730	840,914	(803,954)	375,690
Total	$ 891,273	$ 12,445,225	$ (12,256,923)	$ 1,079,575

There were no significant reductions in insurance coverage from the prior year. There have been no claim settlements in excess of insurance coverage in the last three years.

(12) TAX ABATEMENTS AND GRANTS

The City offers property and sales tax abatement/grant agreements with local businesses under Chapter 312 and Chapter 380 of the Texas Local Government Code. Under these Codes, the City may award tax abatements/grants of up to 100 percent of a business's property and sales taxes for the purpose of attracting or retaining businesses within their jurisdiction. The abatements/grants may be awarded to any business located within or promising to relocate to the City of McKinney.

For the fiscal year ended September 30, 2018, the City of McKinney abated property taxes totaling $109,552 under Chapter 312 of the Texas Local Government Code. The $109,552 primarily consists of the following tax abatement agreements:

- A 50 percent property tax abatement to Wistron GreenTech Corporation for relocating their operations to the City. The abatement amounted to $40,352.

- A 50 percent property tax abatement to Manner Plastics, L.P. for expanding their facility already located within the City. The abatement amounted to $41,727.

For the fiscal year ended September 30, 2018, the City of McKinney sent property and sales tax grants totaling $78,792 under Chapter 380 of the Texas Local Government Code, including the following grant agreements that each exceeded 15 percent of the total amount abated/granted:

- A 100 percent property tax grant to Gateway Hotel One, Ltd., for the development of a hotel and event center. The grant amounted to $51,049.

- A 50 percent property tax grant to United Parcel Service, for relocating their operations to the City. The grant amounted to $23,901.

REQUIRED SUPPLEMENTARY INFORMATION

McKINNEY™
TEXAS
Unique by nature.SM

CITY OF MCKINNEY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST FOUR FISCAL YEARS
(UNAUDITED)

	Measurement Year 2014	Measurement Year 2015	Measurement Year 2016	Measurement Year 2017
TOTAL PENSION LIABILITY				
Service cost	$ 9,534,719	$ 11,440,134	$ 11,777,430	$ 13,043,869
Interest	13,426,027	14,599,379	15,547,224	17,075,327
Difference between expected and actual experience	(1,820,025)	1,730,171	1,237,911	1,529,198
Change in assumptions	-	(4,050)	-	-
Benefit payments, including refunds of employee contributions	(4,612,787)	(6,049,662)	(6,285,532)	(6,828,906)
Net Change in Total Pension Liability	16,527,934	21,715,972	22,277,033	24,819,488
Total Pension Liability - Beginning	189,339,391	205,867,325	227,583,297	249,860,330
Total Pension Liability - Ending (a)	205,867,325	227,583,297	249,860,330	274,679,818
PLAN FIDUCIARY NET POSITION				
Contributions - employer	8,510,170	9,752,849	9,615,410	10,718,106
Contributions - employee	3,855,271	4,348,528	4,433,984	4,903,710
Net investment income	9,074,467	258,721	12,404,196	28,219,049
Benefit payments, including refunds of employee contributions	(4,612,787)	(6,049,662)	(6,285,532)	(6,828,906)
Administrative expense	(94,724)	(157,574)	(140,032)	(146,159)
Other	(7,788)	(7,782)	(7,545)	(7,407)
Net Change in Plan Fiduciary Net Position	16,724,609	8,145,080	20,020,481	36,858,393
Plan Fiduciary Net Position - Beginning	158,597,927	175,322,536	183,467,616	203,488,097
Plan Fiduciary Net Position - Ending (b)	175,322,536	183,467,616	203,488,097	240,346,490
City's Net Pension Liability - Ending (a) - (b)	$ 30,544,789	$ 44,115,681	$ 46,372,233	$ 34,333,328
Plan fiduciary net position as a percentage of total pension liability	85.16%	80.62%	81.44%	87.50%
Covered payroll	$ 54,810,138	$ 61,939,002	$ 63,285,492	$ 70,053,001
City's net pension liability as a percentage of covered payroll	55.73%	71.22%	73.27%	49.01%

Other Information:
The discount rate changed from 7.00% to 6.75% for the 2015 valuation; there were no other changes in assumptions.

The information in this schedule has been determined as of the measurement date (December 31) of the City's net pension liability and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provision of GASB 68, only periods for which such information is available are presented.

CITY OF MCKINNEY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
LAST FOUR FISCAL YEARS
(UNAUDITED)

	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018
Actuarially determined contribution	$ 9,195,319	$ 9,521,438	$ 10,387,413	$ 11,618,161
Contribution in relation of the actuarially determined contribution	9,195,319	9,521,438	10,387,413	11,618,161
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 58,299,396	$ 62,005,210	$ 68,046,988	$ 75,718,876
Contributions as a percentage of covered payroll	15.77%	15.36%	15.27%	15.34%

Notes to Schedule:

Valuation Date:

Actuarial determined contribution rates are calculated as of December 31st each year and become effective in January, 12 months and a day later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	28 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 – 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information: There were no benefit changes during the year.

The information in this schedule has been determined as of the City's most recent fiscal year-end and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provision of GASB 68, only periods for which such information is available are presented.

CITY OF MCKINNEY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS
(RETIREE HEALTH CARE PLAN)
(UNAUDITED)

	Measurement Year 2017
TOTAL OPEB LIABILITY	
Service cost	$ 918,051
Interest	564,874
Difference between expected and actual experience	3,299
Change of assumptions	797,890
Benefit payments, including refunds of employee contributions	(294,321)
Net Change in Total OPEB Liability	1,989,793
Total OPEB Liability - Beginning	14,514,234
Total OPEB Liability - Ending (a)	16,504,027
Covered Payroll	$ 70,052,975
Total OPEB Liability as a Percentage of Covered Payroll	23.56%

The information in this schedule has been determined as of the measurement date (December 31) of the City's total OPEB liability and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provision of GASB 75, only periods for which such information is available are presented.

CITY OF MCKINNEY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS
(SUPPLEMENTAL DEATH BENEFIT FUND)
(UNAUDITED)

	Measurement Year 2017
TOTAL OPEB LIABILITY	
Service cost	$ 112,085
Interest	54,057
Change of assumptions	158,454
Benefit payments, including refunds of employee contributions	(7,005)
Net Change in Total OPEB Liability	317,591
Total OPEB Liability - Beginning	1,377,543
Total OPEB Liability - Ending (a)	$ 1,695,134
Covered Payroll	$ 70,053,001
Total OPEB Liability as a Percentage of Covered Payroll	2.42%

The information in this schedule has been determined as of the measurement date (December 31) of the City's total OPEB liability and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provision of GASB 75, only periods for which such information is available are presented.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

McKINNEY™
TEXAS
Unique by nature.SM

CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget- Positive(Negative)
REVENUES				
Property tax	$ 31,942,815	$ 31,842,915	$ 32,560,113	$ 717,198
Investment income	110,000	390,000	406,388	16,388
Total Revenues	32,052,815	32,232,915	32,966,501	733,586
EXPENDITURES				
Principal retirement	21,805,000	21,805,000	21,805,000	-
Interest and fiscal charges	10,228,769	10,228,769	10,216,584	12,185
Total Expenditures	32,033,769	32,033,769	32,021,584	12,185
Excess (Deficiency) of Revenues Over (Under) Expenditures	19,046	199,146	944,917	745,771
OTHER FINANCING SOURCES				
Premium on issuance of long-term debt	-	-	-	-
Total Other Financing Sources	-	-	-	-
Net Change in Fund Balance	19,046	199,146	944,917	745,771
Fund Balance, Beginning of Year	4,605,897	4,605,897	4,605,897	-
Fund Balance, End of Year	$ 4,624,943	$ 4,805,043	$ 5,550,814	$ 745,771

CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts			
	Original	Final	Actual Amount	Variance With Final Budget Positive (Negative)
REVENUES				
Intergovernmental	$ -	$ 21,065,871	$ 2,505,534	$ (18,560,337)
Contributions	16,583,730	28,385,803	16,063,567	(12,322,236)
Investment income	1,400,000	2,369,000	2,270,930	(98,070)
Total Revenues	17,983,730	51,820,674	20,840,031	(30,980,643)
EXPENDITURES				
General government	197,096	23,469,338	525,083	22,944,255
Fire	-	4,090,491	1,864,478	2,226,013
Libraries	-	9,394,582	343,064	9,051,518
Parks and recreation	7,500,000	32,228,459	10,695,655	21,532,804
Police	-	-	2,789,198	(2,789,198)
Public works	41,891,604	112,712,713	16,303,936	96,408,777
Interest and fiscal charges	66,420	654,000	276,985	377,015
Total Expenditures	49,655,120	182,549,583	32,798,399	149,751,184
Deficiency of Revenues Over Expenditures	(31,671,390)	(130,728,909)	(11,958,368)	118,770,541
OTHER FINANCING SOURCES				
Issuance of long-term debt	36,900,000	32,700,000	30,875,000	(1,825,000)
Premium on long-term debt	-	-	2,101,985	2,101,985
Transfers in (out)	3,000,000	(4,000,000)	(3,996,000)	4,000
Total Other Financing Sources	39,900,000	28,700,000	28,980,985	280,985
Net Change in Fund Balances	8,228,610	(102,028,909)	17,022,617	119,051,526
Fund Balance, Beginning of Year	139,283,907	139,283,907	139,283,907	-
Fund Balance, End of Year	$ 147,512,517	$ 37,254,998	$ 156,306,524	$ 119,051,526

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

HOTEL/MOTEL FUND – to account for a 7% hotel/motel tax imposed on lodging fees for the purpose of funding activities and programs that are allowed by the hotel/motel tax to promote tourism.

LAW ENFORCEMENT FUND – to account for donations and funds derived from police investigation of criminal activities.

DONATIONS FUND – to account for funds provided by private donors and other governmental agencies to assist in the purchase of fire department equipment and related expenses, supporting library operations, and for the purpose of maintaining facilities and support special events at Veterans Memorial Park.

COMMUNITY HOUSING FUND – to account for grants and funding received for affordable housing programs.

GRANTS FUND – to account for local, state, federal, and private grants received for governmental operations and projects.

URBAN TRANSIT DISTRICT FUND – to account for joint use transit operations of four member cities including joint cost arrangement and administration and use of grant funding.

HOUSING FINANCE FUND – to account for financing the cost of residential ownership and development on behalf of the City to provide decent, safe and sanitary housing for City residents at affordable prices.

TAX INCREMENT REINVESTMENT ZONE 1 (TIRZ 1) – to account for property and sales taxes collected in the TIRZ 1 zone for the purpose of funding infrastructure and projects in the Historic Town Center.

TAX INCREMENT REINVESTMENT ZONE 2 (TIRZ 2) – to account for property and sales taxes collected in the TIRZ 2 zone for the purpose of funding infrastructure to the Airport.

PEG CABLE CHANNEL FUND – to account for fees received from cable operators within the City for the purpose of funding expenditures relating to the PEG (Public, Educational, and Governmental) Cable Channel.

CAPITAL PROJECTS FUND

TECHNOLOGY IMPROVEMENT FUND – to account for technology infrastructure improvements and computer hardware/software needs. Inter-fund charges through cost allocation provide revenue sources to this fund.

CITY OF MCKINNEY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Special Revenue Funds				
	Hotel/Motel	Law Enforcement	Donations	Community Housing	Grants
ASSETS					
Cash and cash equivalents	$ 3,673,133	$ 524,470	$ 125,493	$ 176,287	$ 146,029
Receivables:					
Accounts	2,524	-	-	-	-
Other taxes and fees	130,296	-	-	-	-
Due from other governments	-	-	-	91,738	49,683
Prepaid items	-	-	-	3,487	-
Total Assets	$ 3,805,953	$ 524,470	$ 125,493	$ 271,512	$ 195,712
LIABILITIES					
Accounts payable	$ 500	$ -	$ 6,084	$ 21,622	$ 5,538
Other accrued liabilities	-	35,874	-	45,345	-
Due to other funds	-	-	-	98,000	-
Unearned revenue	-	-	-	-	12,023
Total Liabilities	500	35,874	6,084	164,967	17,561
FUND BALANCES					
Nonspendable:					
Prepaid items	-	-	-	3,487	-
Restricted:					
Capital projects	-	-	-	-	-
Law enforcement	-	488,596	-	-	-
Fire	-	-	31,857	-	-
PEG	-	-	-	-	-
Library	-	-	84,924	-	-
Community Housing	-	-	-	103,058	-
Veterans Memorial Park	-	-	2,628	-	-
Hotel/Motel	3,805,453	-	-	-	-
Transit	-	-	-	-	-
Grants	-	-	-	-	178,151
Assigned:					
Capital equip replacement	-	-	-	-	-
Total Fund Balances	3,805,453	488,596	119,409	106,545	178,151
Total Liabilities and Fund Balances	$ 3,805,953	$ 524,470	$ 125,493	$ 271,512	$ 195,712

Special Revenue Funds					Capital Projects	
Urban Transit District	Housing Finance	TIRZ 1	TIRZ 2	PEG Cable Channel	Technology Improvement	Total Nonmajor Governmental Funds
$ 63,278	$ 121,919	$ 9,195,508	$ 1,152,450	$ 1,423,174	$ 10,180,133	$ 26,781,874
-	-	-	-	-	-	2,524
-	-	5,938	3,083	81,829	-	221,146
38,835	-	-	-	-	-	180,256
-	-	-	-	-	92,916	96,403
$ 102,113	$ 121,919	$ 9,201,446	$ 1,155,533	$ 1,505,003	$ 10,273,049	$ 27,282,203
$ 24,469	$ -	$ -	$ -	$ 800	$ 29,406	$ 88,419
2,831	-	-	-	-	-	84,050
-	-	-	-	-	-	98,000
-	-	-	-	-	-	12,023
27,300	-	-	-	800	29,406	282,492
-	-	-	-	-	92,916	96,403
-	-	9,201,446	1,155,533	-	2,711,579	13,068,558
-	-	-	-	-	-	488,596
-	-	-	-	-	-	31,857
-	-	-	-	1,504,203	-	1,504,203
-	-	-	-	-	-	84,924
-	121,919	-	-	-	-	224,977
-	-	-	-	-	-	2,628
-	-	-	-	-	-	3,805,453
74,813	-	-	-	-	-	74,813
-	-	-	-	-	-	178,151
-	-	-	-	-	7,439,148	7,439,148
74,813	121,919	9,201,446	1,155,533	1,504,203	10,243,643	26,999,711
$ 102,113	$ 121,919	$ 9,201,446	$ 1,155,533	$ 1,505,003	$ 10,273,049	$ 27,282,203

CITY OF MCKINNEY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Special Revenue Funds				
	Hotel/Motel	Law Enforcement	Donations	Community Housing	Grants
REVENUES					
Property tax	$ -	$ -	$ -	$ -	$ -
Sales and use taxes	1,690,069	-	-	-	-
Other taxes and fees	-	-	-	-	-
Intergovernmental	-	-	-	859,663	482,697
Charges for services	-	-	-	-	-
Fines and forfeitures	-	123,759	-	-	-
Investment income	54,977	394	698	424	-
Contributions	-	34,140	34	-	1,000
Miscellaneous	4,584	-	-	22,316	-
Total Revenues	1,749,630	158,293	732	882,403	483,697
EXPENDITURES					
Current:					
General government	687,072	-	-	-	-
Police	-	68,513	-	-	129,742
Fire	-	-	10,849	-	83,815
Libraries	-	-	18,715	-	999
Development	-	-	-	870,265	1,389
Parks and recreation	-	-	3,845	-	-
Capital expenditures:					
General government	-	-	-	-	-
Libraries	-	-	28,097	-	-
Police	-	123,802	-	-	207,992
Fire	-	-	-	-	61,922
Total Expenditures	687,072	192,315	61,506	870,265	485,859
Excess (Deficiency) of Revenues Over Expenditures	1,062,558	(34,022)	(60,774)	12,138	(2,162)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	(177,000)	-	(4,000)	-	-
Total Other Financing Sources (Uses)	(177,000)	-	(4,000)	-	-
Net Change in Fund Balance	885,558	(34,022)	(64,774)	12,138	(2,162)
Fund Balance, Beginning of Year	2,919,895	522,618	184,183	94,407	180,313
Fund Balance, End of Year	$ 3,805,453	$ 488,596	$ 119,409	$ 106,545	$ 178,151

Special Revenue Funds					Capital Projects	
Urban Transit District	Housing Finance	TIRZ 1	TIRZ 2	PEG Cable Channel	Technology Improvement	Total Nonmajor Governmental Funds
$ -	$ -	$ 989,217	$ 226,446	$ -	$ -	$ 1,215,663
-	-	1,502,541	672,857	-	-	3,865,467
-	-	-	-	338,030	-	338,030
215,101	-	-	-	-	-	1,557,461
-	-	-	-	-	1,206,888	1,206,888
-	-	-	-	-	-	123,759
161	628	126,593	28,602	23,263	159,994	395,734
-	-	-	-	-	-	35,174
-	-	-	-	-	-	26,900
215,262	628	2,618,351	927,905	361,293	1,366,882	8,765,076
212,602	23,447	16,826	-	22,511	798,733	1,761,191
-	-	-	-	-	-	198,255
-	-	-	-	-	-	94,664
-	-	-	-	-	-	19,714
-	-	-	-	-	-	871,654
-	-	-	-	-	-	3,845
-	-	-	-	168,629	610,548	779,177
-	-	-	-	-	-	28,097
-	-	-	-	-	-	331,794
-	-	-	-	-	-	61,922
212,602	23,447	16,826	-	191,140	1,409,281	4,150,313
2,660	(22,819)	2,601,525	927,905	170,153	(42,399)	4,614,763
-	-	-	-	-	500,000	500,000
-	-	(39,000)	(3,025,000)	-	-	(3,245,000)
-	-	(39,000)	(3,025,000)	-	500,000	(2,745,000)
2,660	(22,819)	2,562,525	(2,097,095)	170,153	457,601	1,869,763
72,153	144,738	6,638,921	3,252,628	1,334,050	9,786,042	25,129,948
$ 74,813	$ 121,919	$ 9,201,446	$ 1,155,533	$ 1,504,203	$ 10,243,643	$ 26,999,711

CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
HOTEL/MOTEL FUND
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts			Variance With Final Budget Positive
	Original	Final	Actual Amount	(Negative)
REVENUES				
Sales and use taxes	$ 1,700,000	$ 1,700,000	$ 1,690,069	$ (9,931)
Investment income	1,600	51,000	54,977	3,977
Miscellaneous	400	1,400	4,584	3,184
Total Revenues	1,702,000	1,752,400	1,749,630	(2,770)
EXPENDITURES				
General government	698,000	748,000	687,072	60,928
Total Expenditures	698,000	748,000	687,072	60,928
Excess of Revenues Over Expenditures	1,004,000	1,004,400	1,062,558	58,158
OTHER FINANCING USES				
Transfers out	(177,000)	(177,000)	(177,000)	-
Total Other Financing Uses	(177,000)	(177,000)	(177,000)	-
Net Change in Fund Balance	827,000	827,400	885,558	58,158
Fund Balance, Beginning of Year	2,919,895	2,919,895	2,919,895	-
Fund Balance, End of Year	$ 3,746,895	$ 3,747,295	$ 3,805,453	$ 58,158

CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
LAW ENFORCEMENT FUND
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts			Variance With Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Fines and forfeitures	$ 325,000	$ 343,000	$ 123,759	$ (219,241)
Investment income	100	300	394	94
Contributions	16,000	30,000	34,140	4,140
Total Revenues	341,100	373,300	158,293	(215,007)
EXPENDITURES				
Police	358,000	377,240	192,315	184,925
Total Expenditures	358,000	377,240	192,315	184,925
Net Change in Fund Balance	(16,900)	(3,940)	(34,022)	(30,082)
Fund Balance, Beginning of Year	522,618	522,618	522,618	-
Fund Balance, End of Year	$ 505,718	$ 518,678	$ 488,596	$ (30,082)

CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON SCHEDULE(GAAP BASIS)
DONATIONS FUND
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts			Variance With Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Investment income	$ 300	$ 590	$ 698	$ 108
Contributions	12,500	12,500	34	(12,466)
Total Revenues	12,800	13,090	732	(12,358)
EXPENDITURES				
Fire	14,500	14,500	10,849	3,651
Libraries	50,000	78,097	46,812	31,285
Parks and recreation	5,000	5,000	3,845	1,155
Total Expenditures	69,500	97,597	61,506	36,091
Excess (Deficiency) of Revenues Over Expenditures	(56,700)	(84,507)	(60,774)	23,733
OTHER FINANCING USES				
Transfers out	-	(4,000)	(4,000)	-
Total Other Financing Uses	-	(4,000)	(4,000)	-
Net Change in Fund Balance	(56,700)	(88,507)	(64,774)	23,733
Fund Balance, Beginning of Year	184,183	184,183	184,183	-
Fund Balance, End of Year	$ 127,483	$ 95,676	$ 119,409	$ 23,733

CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
COMMUNITY HOUSING FUND
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts			Variance With Final Budget Positive
	Original	Final	Actual Amount	(Negative)
REVENUES				
Intergovernmental	$ 1,539,990	$ 1,539,990	$ 859,663	$ (680,327)
Investment income	50	300	424	124
Miscellaneous	9,000	9,000	22,316	13,316
Total Revenues	1,549,040	1,549,290	882,403	(666,887)
EXPENDITURES				
Development	1,544,990	1,544,447	870,265	674,182
Total Expenditures	1,544,990	1,544,447	870,265	674,182
Excess (Deficiency) of Revenues Over Expenditures	4,050	4,843	12,138	7,295
Net Change in Fund Balance	4,050	4,843	12,138	7,295
Fund Balance, Beginning of Year	94,407	94,407	94,407	-
Fund Balance, End of Year	$ 98,457	$ 99,250	$ 106,545	$ 7,295

CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
GRANTS FUND
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts			Variance With Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Intergovernmental	$ 3,306,151	$ 3,305,151	$ 482,697	$ (2,822,454)
Contributions	-	1,000	1,000	-
Total Revenues	3,306,151	3,306,151	483,697	(2,822,454)
EXPENDITURES				
General government	3,306,151	3,306,151	-	3,306,151
Police	-	-	337,734	(337,734)
Fire	-	-	145,737	(145,737)
Libraries	-	-	999	(999)
Development	-	-	1,389	(1,389)
Total Expenditures	3,306,151	3,306,151	485,859	2,820,292
Excess (Deficiency) of Revenues Over Expenditures	-	-	(2,162)	(2,162)
OTHER FINANCING SOURCES				
Transfers in	17,096	-	-	-
Total Other Financing Sources	17,096	-	-	-
Net Change in Fund Balance	17,096	-	(2,162)	(2,162)
Fund Balance, Beginning of Year	180,313	180,313	180,313	-
Fund Balance, End of Year	$ 197,409	$ 180,313	$ 178,151	$ (2,162)

CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
URBAN TRANSIT DISTRICT FUND
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts			Variance With Final Budget Positive
	Original	Final	Actual Amount	(Negative)
REVENUES				
Intergovernmental	$ 411,158	$ 202,670	$ 215,101	$ 12,431
Investment income	-	100	161	61
Total Revenues	411,158	202,770	215,262	12,492
EXPENDITURES				
General government	447,839	202,670	212,602	(9,932)
Total Expenditures	447,839	202,670	212,602	(9,932)
Excess (Deficiency) of Revenues Over Expenditures	(36,681)	100	2,660	2,560
OTHER FINANCING SOURCES				
Transfers in	56,192	-	-	-
Total Other Financing Sources	56,192	-	-	-
Net Change in Fund Balance	19,511	100	2,660	2,560
Fund Balance, Beginning of Year	72,153	72,153	72,153	-
Fund Balance, End of Year	$ 91,664	$ 72,253	$ 74,813	$ 2,560

CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
HOUSING FINANCE FUND
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts			Variance With Final Budget Positive
	Original	Final	Actual Amount	(Negative)
REVENUES				
Charges of services	$ 15,000	$ 15,000	$ -	$ (15,000)
Investment income	-	500	628	128
Total Revenues	15,000	15,500	628	(14,872)
EXPENDITURES				
General government	68,650	74,698	23,447	51,251
Total Expenditures	68,650	74,698	23,447	51,251
Net Change in Fund Balance	(53,650)	(59,198)	(22,819)	36,379
Fund Balance, Beginning of Year	144,738	144,738	144,738	-
Fund Balance, End of Year	$ 91,088	$ 85,540	$ 121,919	$ 36,379

CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
TIRZ 1 FUND
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts			Variance With Final Budget Positive
	Original	Final	Actual Amount	(Negative)
REVENUES				
Property taxes	$ 576,603	$ 989,217	$ 989,217	$ -
Sales and use taxes	1,172,831	1,106,678	1,502,541	395,863
Investment income	35,000	110,000	126,593	16,593
Total Revenues	1,784,434	2,205,895	2,618,351	412,456
EXPENDITURES				
General government	100,000	100,000	16,826	83,174
Total Expenditures	100,000	100,000	16,826	83,174
Excess of Revenues Over Expenditures	1,684,434	2,105,895	2,601,525	495,630
OTHER FINANCING USES				
Transfers out	(39,000)	(39,000)	(39,000)	-
Total Other Financing Uses	(39,000)	(39,000)	(39,000)	-
Net Change in Fund Balance	1,645,434	2,066,895	2,562,525	495,630
Fund Balance, Beginning of Year	6,638,921	6,638,921	6,638,921	-
Fund Balance, End of Year	$ 8,284,355	$ 8,705,816	$ 9,201,446	$ 495,630

CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
TIRZ 2 FUND
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts			Variance With Final Budget Positive
	Original	Final	Actual Amount	(Negative)
REVENUES				
Property taxes	$ 120,747	$ 226,444	$ 226,446	$ 2
Sales and use taxes	541,713	941,838	672,857	(268,981)
Investment income	10,000	35,000	28,602	(6,398)
Total Revenues	672,460	1,203,282	927,905	(275,377)
OTHER FINANCING USES				
Transfers out	(25,000)	(3,025,000)	(3,025,000)	-
Total Other Financing Uses	(25,000)	(3,025,000)	(3,025,000)	-
Net Change in Fund Balance	647,460	(1,821,718)	(2,097,095)	(275,377)
Fund Balance, Beginning of Year	3,252,628	3,252,628	3,252,628	-
Fund Balance, End of Year	$ 3,900,088	$ 1,430,910	$ 1,155,533	$ (275,377)

CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
PEG CABLE CHANNEL FUND
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts			Variance With Final Budget Positive
	Original	Final	Actual Amount	(Negative)
REVENUES				
Other taxes and fees	$ 425,000	$ 400,000	$ 338,030	$ (61,970)
Investment income	1,000	22,000	23,263	1,263
Total Revenues	426,000	422,000	361,293	(60,707)
EXPENDITURES				
General government	98,000	270,757	191,140	79,617
Total Expenditures	98,000	270,757	191,140	79,617
Excess of Revenues Over Expenditures	328,000	151,243	170,153	18,910
Net Change in Fund Balance	328,000	151,243	170,153	18,910
Fund Balance, Beginning of Year	1,334,050	1,334,050	1,334,050	-
Fund Balance, End of Year	$ 1,662,050	$ 1,485,293	$ 1,504,203	$ 18,910

CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
TECHNOLOGY IMPROVEMENT FUND
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts			Variance With Final Budget Positive
	Original	Final	Actual Amount	(Negative)
REVENUES				
Charges for services	$ 1,206,888	$ 1,206,888	$ 1,206,888	$ -
Investment income	60,000	160,000	159,994	(6)
Total Revenues	1,266,888	1,366,888	1,366,882	(6)
EXPENDITURES				
General government	1,266,888	9,573,843	1,409,281	8,164,562
Total Expenditures	1,266,888	9,573,843	1,409,281	8,164,562
OTHER FINANCING SOURCES				
Transfers in	500,000	500,000	500,000	-
Total Other Financing Sources	500,000	500,000	500,000	-
Net Change in Fund Balance	500,000	(7,706,955)	457,601	8,164,556
Fund Balance, Beginning of Year	9,786,042	9,786,042	9,786,042	-
Fund Balance, End of Year	$ 10,286,042	$ 2,079,087	$ 10,243,643	$ 8,164,556

NONMAJOR ENTERPRISE AND INTERNAL SERVICE FUNDS

GOLF COURSE FUND – to account for revenue received and operating expenses incurred in the operation of Oak Hollow Municipal Golf Course.

SURFACE WATER DRAINAGE UTILITY FUND – to account for revenue paid by utility customers and allowable expenses under the Surface Drainage Utility System Ordinance.

SOLID WASTE FUND – to account for revenues and operating costs of providing solid waste and recycling services.

INSURANCE RISK AND MANAGEMENT FUND – to account for costs associated with workers' compensation, property and liability insurance and with health and dental benefits of employees, retirees, and covered dependents.

FLEET MAINTENANCE FUND – to account for costs associated with maintenance of the City's operation and service vehicles.

McKINNEY™
TEXAS
Unique by nature.SM

CITY OF MCKINNEY, TEXAS
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Business-type Activities – Enterprise Funds			
	Golf Course	Surface Water Drainage	Solid Waste	Total Nonmajor Enterprise Funds
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$ 198,402	$ 5,403,216	$ 8,219,637	$ 13,821,255
Investments	-	-	1,965,986	1,965,986
Restricted assets:				
Cash and cash equivalents	10,000	-	-	10,000
Accrued interest	-	-	10,049	10,049
Accounts receivable (net of allowance for uncollectibles)	6,509	438,079	1,534,547	1,979,135
Notes receivable - interfund	-	-	5,680,437	5,680,437
Notes receivable - component unit	-	-	815,999	815,999
Prepaid items	-	522	751	1,273
Total Current Assets	214,911	5,841,817	18,227,406	24,284,134
NONCURRENT ASSETS				
Capital assets:				
Land	402,213	-	164,296	566,509
Buildings	1,488,882	-	164,402	1,653,284
Improvements other than buildings	2,548,170	-	364,127	2,912,297
Machinery and equipment	396,138	695,665	694,427	1,786,230
Less accumulated depreciation	(3,219,612)	(533,362)	(815,616)	(4,568,590)
Net Capital Assets	1,615,791	162,303	571,636	2,349,730
Total Assets	1,830,702	6,004,120	18,799,042	26,633,864
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension outflows	-	150,287	117,684	267,971
Deferred OPEB outflows	-	9,870	7,728	17,598
Total Deferred Outflows of Resources	-	160,157	125,412	285,569
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	-	123,615	619,939	743,554
Other accrued liabilities	-	63,348	415,296	478,644
Due to other funds	-	-	29,220	29,220
Notes payable	51,392	-	-	51,392
Compensated absences	-	6,491	6,379	12,870
Total Current Liabilities	51,392	193,454	1,070,834	1,315,680
Payable from restricted assets:				
Deposits	10,000	-	-	10,000
Total Current Liabilities Payable from Restricted Assets	10,000	-	-	10,000
NONCURRENT LIABILITIES				
Compensated absences	-	96,051	94,388	190,439
Notes payable	629,045	-	-	629,045
Net pension liability	-	443,396	347,207	790,603
Total OPEB liability	-	213,140	166,903	380,043
Total Noncurrent Liabilities	629,045	752,587	608,498	1,990,130
Total Liabilities	690,437	946,041	1,679,332	3,315,810
DEFERRED INFLOWS OF RESOURCES				
Deferred pension inflows	-	93,015	72,836	165,851
NET POSITION				
Net investment in capital assets	1,615,791	162,303	571,636	2,349,730
Unrestricted	(475,526)	4,962,918	16,600,650	21,088,042
Total Net Position	$ 1,140,265	$ 5,125,221	$ 17,172,286	$ 23,437,772

CITY OF MCKINNEY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Business-type Activities – Enterprise Funds			
	Golf Course	Surface Water Drainage	Solid Waste	Total Nonmajor Enterprise Funds
OPERATING REVENUES				
Charges for services	$ 31,086	$ 3,756,789	$ 8,864,585	$ 12,652,460
Miscellaneous	61,236	-	54,098	115,334
Total Operating Revenues	92,322	3,756,789	8,918,683	12,767,794
OPERATING EXPENSES:				
Personnel services	-	1,356,224	1,115,892	2,472,116
Materials and supplies	-	36,773	57,311	94,084
Maintenance	21,586	222,832	39,775	284,193
Contract payments	-	692,192	6,325,328	7,017,520
Utilities	701	2,158	3,428	6,287
Depreciation	164,006	25,038	60,596	249,640
Other	22,792	195,868	38,170	256,830
Total Operating Expenses	209,085	2,531,085	7,640,500	10,380,670
Operating Income (Loss)	(116,763)	1,225,704	1,278,183	2,387,124
NONOPERTAING REVENUES (EXPENSES)				
Investment income	808	87,255	145,650	233,713
Gain (loss) on disposal of assets	-	15,262	16,766	32,028
Total Non-operating Revenues	808	102,517	162,416	265,741
Income (Loss) Before Contributions and Transfers	(115,955)	1,328,221	1,440,599	2,652,865
Capital Contributions	-	99,651	107,300	206,951
Transfers in	-	-	65,796	65,796
Transfers out	(5,000)	(415,000)	(422,450)	(842,450)
Change in Net Position	(120,955)	1,012,872	1,191,245	2,083,162
Net Position, as Previously Reported	1,261,220	4,312,503	16,132,168	21,705,891
Cumulative Effect Adjustment	-	(200,154)	(151,127)	(351,281)
Net Position, Beginning of Year, as Adjusted	1,261,220	4,112,349	15,981,041	21,354,610
Net Position, End of Year	$ 1,140,265	$ 5,125,221	$ 17,172,286	$ 23,437,772

CITY OF MCKINNEY, TEXAS
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Business-type Activities – Enterprise Funds			
	Golf Course	Surface Water Drainage	Solid Waste	Total Nonmajor Enterprise Funds
OPERATING ACTIVITIES				
Cash received from customers	$ 33,471	$ 3,742,924	$ 9,473,870	$ 13,250,265
Other operating revenues	61,236	-	54,098	115,334
Cash payments for employee services	-	(1,404,941)	(1,153,154)	(2,558,095)
Cash payments to suppliers for goods and services	(45,079)	(1,066,625)	(6,273,008)	(7,384,712)
Net Cash Provided by Operating Activities	49,628	1,271,358	2,101,806	3,422,792
NONCAPITAL FINANCING ACTIVITIES				
Transfers in	-	-	65,796	65,796
Transfers out	(5,000)	(415,000)	(422,450)	(842,450)
Net Cash Used in Non-capital Financing Activities	(5,000)	(415,000)	(356,654)	(776,654)
CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(15,365)	-	(1,259)	(16,624)
Proceeds from sale of assets	-	15,262	-	15,262
Principal payments on loans	(50,508)	-	-	(50,508)
Payments from loan to component units	-	-	807,920	807,920
Proceeds from advances	-	-	50,508	50,508
Net Cash Provided by (Used in) Capital and Related Financing Activities	(65,873)	15,262	857,169	806,558
INVESTING ACTIVITIES				
Sale of investment securities	-	-	35,760	35,760
Investment earnings	808	87,255	137,205	225,268
Net Cash Provided by Investing Activities	808	87,255	172,965	261,028
Net Increase (Decrease) in Cash and Cash Equivalents	(20,437)	958,875	2,775,286	3,713,724
Cash and Cash Equivalents, Beginning of Year	228,839	4,444,341	5,444,351	10,117,531
Cash and Cash Equivalents, End of Year	$ 208,402	$ 5,403,216	$ 8,219,637	$ 13,831,255
RECONCILIATION TO THE COMBINING STATEMENT OF NET POSITION				
Unrestricted cash and cash equivalents	$ 198,402	$ 5,403,216	$ 8,219,637	$ 13,821,255
Restricted cash and cash equivalents	10,000	-	-	10,000
	$ 208,402	$ 5,403,216	$ 8,219,637	$ 13,831,255
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	$ (116,763)	$ 1,225,704	$ 1,278,183	$ 2,387,124
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	164,006	25,038	60,596	249,640
Change in assets, liabilities and deferred resources				
(Increases) decreases in assets and deferred outflows:				
Accounts receivable	2,385	(13,865)	609,285	597,805
Prepaid expenses	-	(25)	(256)	(281)
Deferred pension outflows	-	33,235	19,004	52,239
Deferred OPEB outflows	-	(6,520)	(5,199)	(11,719)
Increases (decreases) in liabilities and deferred inflows:				
Accounts payable	-	68,731	555,035	623,766
Accrued liabilities	-	14,492	(363,775)	(349,283)
Due to other funds	-	-	(17,051)	(17,051)
Liability for accrued vacation	-	(23,492)	(17,675)	(41,167)
Net pension liability	-	(206,788)	(143,716)	(350,504)
Total OPEB liability	-	9,636	13,247	22,883
Deferred pension inflows	-	145,212	114,128	259,340
Total Adjustments	166,391	45,654	823,623	1,035,668
Net Cash Provided by Operating Activities	$ 49,628	$ 1,271,358	$ 2,101,806	$ 3,422,792
SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Contributions of capital assets	$ -	$ 99,651	$ 107,300	$ 206,951

CITY OF MCKINNEY, TEXAS
STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2018

	Governmental Activities – Internal Service Funds		
	Insurance Risk and Management	Fleet Maintenance	Total Internal Service Funds
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 5,527,095	$ 72,799	$ 5,599,894
Investments	4,972,960	-	4,972,960
Accounts receivable (net of allowance for uncollectibles)	376,230	-	376,230
Prepaid items	13,983	-	13,983
Inventory	-	159,675	159,675
Total Current Assets	10,890,268	232,474	11,122,742
NONCURRENT ASSETS			
Restricted cash and cash equivalents	86,000	-	86,000
Capital assets:			
Machinery and equipment	-	464,622	464,622
Less accumulated depreciation	-	(258,095)	(258,095)
Net Capital Assets	-	206,527	206,527
Total Assets	10,976,268	439,001	11,415,269
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension outflows	-	94,277	94,277
Deferred OPEB outflows	-	6,191	6,191
Total Deferred Outflows of Resources	-	100,468	100,468
LIABILITIES			
Accounts payable	1,011,316	136,471	1,147,787
Other accrued liabilities	40,665	33,295	73,960
Compensated absences	-	6,262	6,262
Noncurrent liabilities			
Compensated absences	-	92,668	92,668
Net pension liability	-	278,149	278,149
Total OPEB liability	-	133,706	133,706
Total Liabilities	1,051,981	680,551	1,732,532
DEFERRED INFLOWS OF RESOURCES			
Deferred pension inflows	-	58,349	58,349
NET POSITION			
Net investment in capital assets	-	206,527	206,527
Unrestricted	9,924,287	(405,958)	9,518,329
Total Net Position	$ 9,924,287	$ (199,431)	$ 9,724,856

CITY OF MCKINNEY, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Governmental Activities – Internal Service Funds		
	Insurance Risk and Management	Fleet Maintenance	Total Internal Service Funds
OPERATING REVENUES			
Charges for services	$ 21,428,298	$ 1,080,265	$ 22,508,563
Miscellaneous	566,453	-	566,453
Total Operating Revenues	21,994,751	1,080,265	23,075,016
OPERATING EXPENSES			
Personnel services	-	943,437	943,437
Materials, supplies and services	19,288,847	23,699	19,312,546
Maintenance	-	3,704	3,704
Utilities	-	43,470	43,470
Depreciation	-	38,430	38,430
Other	-	51,046	51,046
Total Operating Expenses	19,288,847	1,103,786	20,392,633
Operating Income (Loss)	2,705,904	(23,521)	2,682,383
NONOPERATING REVENUES (EXPENSES)			
Investment Income	180,978	2,577	183,555
Loss on sale of capital assets	(28,107)	(143,501)	(171,608)
Total Nonoperating Revenues (Expenses)	152,871	(140,924)	11,947
Income (loss) before transfers	2,858,775	(164,445)	2,694,330
Transfers out	(4,500,000)	-	(4,500,000)
Change in Net Position	(1,641,225)	(164,445)	(1,805,670)
Net Position, as Previously Reported	11,600,545	80,628	11,681,173
Cumulative Effect Adjustment	(35,033)	(115,614)	(150,647)
Net Position, Beginning of Year, as Adjusted	11,565,512	(34,986)	11,530,526
Net Position, End of Year	$ 9,924,287	$ (199,431)	$ 9,724,856

CITY OF MCKINNEY, TEXAS
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Governmental Activities – Internal Service Funds		
	Insurance Risk and Management	Fleet Maintenance	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from user charges	$ 21,542,619	$ 1,080,265	$ 22,622,884
Other operating revenues	566,453	-	566,453
Cash payments for employee services	(112,370)	(920,756)	(1,033,126)
Cash payments for other operating expenses	(19,690,945)	(137,023)	(19,827,968)
Net Cash Provided by Operating Activities	2,305,757	22,486	2,328,243
NONCAPITAL FINANCING ACTIVITIES			
Transfers out	(4,500,000)	-	(4,500,000)
Net Cash Used in Non-capital Financing Activities	(4,500,000)	-	(4,500,000)
CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from the sale of assets	-	8,001	8,001
Acquisition and construction of capital assets	(28,107)	(5,195)	(33,302)
Net Cash Provided by Capital Financing Activities	(28,107)	2,806	(25,301)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	180,978	2,577	183,555
Purchase of investments	(4,972,960)	-	(4,972,960)
Net Cash Provided by Investing Activities	(4,791,982)	2,577	(4,789,405)
Net Increase in Cash and Cash Equivalents	(7,014,332)	27,869	(6,986,463)
Cash and Cash Equivalents, Beginning of Year	12,627,427	44,930	12,672,357
Cash and Cash Equivalents, End of Year	$ 5,613,095	$ 72,799	$ 5,685,894
RECONCILITATION TO THE COMBINING STATEMENT OF NET POSITION			
Unrestricted cash and cash equivalents	$ 5,527,095	$ 72,799	$ 5,599,894
Restricted cash and cash equivalents	86,000	-	86,000
	$ 5,613,095	$ 72,799	$ 5,685,894
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	$ 2,705,904	$ (23,521)	$ 2,682,383
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	-	38,430	38,430
Change in assets, liabilities and deferred resources:			
(Increase) decrease in assets and deferred outflows:			
Accounts receivable	114,321	-	114,321
Prepaid expenses	(9,489)	-	(9,489)
Inventory	-	(18,297)	(18,297)
Deferred pension outflows	43,873	8,394	52,267
Deferred OPEB outflows	586	(4,256)	(3,670)
Increase (decrease) in liabilities and deferred inflows:			
Accounts payable	(392,609)	3,193	(389,416)
Compensated absences	(4,793)	7,964	3,171
Net pension liability	(113,801)	(97,414)	(211,215)
Total OPEB liability	(35,619)	16,157	(19,462)
Deferred pension inflows	(2,616)	91,836	89,220
Total Adjustments	(400,147)	46,007	(354,140)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 2,305,757	$ 22,486	$ 2,328,243

FIDUCIARY FUNDS

McKINNEY™
TEXAS
Unique by nature.SM

CITY OF MCKINNEY, TEXAS
STATEMENT OF CHANGES IN AGENCY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

BB Owen Park

ASSETS	Balance September 30, 2017	Additions	Deductions	Balance September 30, 2018
Cash and cash equivalents	$ 7,394,167	$ 141,953	$ (3,609,500)	$ 3,926,620
Total Assets	$ 7,394,167	$ 141,953	$ (3,609,500)	$ 3,926,620
LIABILITIES				
Developer escrows	$ 7,394,167	$ 141,953	$ (3,609,500)	$ 3,926,620
Total Liabilities	$ 7,394,167	$ 141,953	$ (3,609,500)	$ 3,926,620

McKINNEY™
TEXAS
Unique by nature.SM

DISCRETELY PRESENTED COMPONENT UNITS

MCKINNEY ECONOMIC DEVELOPMENT CORPORATION – purpose is to aid, promote and further the economic development within the City.

MCKINNEY COMMUNITY DEVELOPMENT CORPORATION – purpose is to identify and fund public projects to maintain or enhance the quality of life in the City.

MCKINNEY CONVENTION & VISITORS BUREAU – purpose is to account for funds received from the City's local hotel/motel tax fund for the purpose of promoting tourism and making the City of McKinney a destination of choice.

MCKINNEY MAIN STREET – purpose is to maintain and enhance a vibrant downtown area through economic redevelopment, design, organization and promotion.

McKINNEY™
TEXAS
Unique by nature.SM

CITY OF MCKINNEY, TEXAS
BALANCE SHEET
MCKINNEY ECONOMIC DEVELOPMENT CORPORATION
DISCRETELY PRESENTED COMPONENT UNITS
SEPTEMBER 30, 2018

	McKinney Economic Development Corporation
ASSETS	
Cash and cash equivalents	$ 3,776,623
Investments	3,881,412
Restricted cash and cash equivalents	1,721,796
Accounts receivable	2,326,295
Prepaid items	44,174
Total Assets	$ 11,750,300
LIABILITIES	
Accounts payable	$ 44,526
Other accrued liabilities	51,687
Total Liabilities	96,213
FUND BALANCES	
Nonspendable	44,174
Restricted	
Debt service	154,344
Debt service reserve balance	1,567,452
Unassigned	9,888,117
Total Fund Balance	11,654,087
Total Liabilities and Fund Balance	$ 11,750,300

CITY OF MCKINNEY, TEXAS
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
MCKINNEY ECONOMIC DEVELOPMENT CORPORATION
DISCRETELY PRESENTED COMPONENT UNITS
SEPTEMBER 30, 2018

Total fund balance – MEDC balance sheet	$ 11,654,087
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets are reported in the government-wide financial statements, net of accumulated depreciation.	67,043,105
Accrued liabilities for compensated absences are not reflected in the fund financial statements.	(84,562)
Deferred outflows of resources and deferred inflows of resources represent flows of resources which relate to future periods and, therefore, are not reported in the fund financial statements. Deferred outflows and deferred inflows of resources consist of:	
Deferred pension outflows (GASB 68)	140,677
Deferred OPEB outflows (GASB 75)	9,238
Deferred charge on refunding	81,509
Deferred pension inflows (GASB 68)	(87,068)
Net pension and total OPEB liabilities are not reported in the funds.	(614,554)
Bonds payable and notes payable are not reported in the funds.	(30,405,999)
Accrued interest is not reported in the funds.	(93,550)
NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 47,642,883

CITY OF MCKINNEY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
MCKINNEY ECONOMIC DEVELOPMENT CORPORATION
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	McKinney Economic Development Corporation
REVENUES	
Sales and use taxes	$ 13,466,103
Investment income	268,528
Contributions	480
Total Revenues	13,735,111
EXPENDITURES	
Economic development	7,493,520
Principal payments	1,962,920
Interest and fiscal charges	461,581
Capital outlay	52,253,692
Total Expenditures	62,171,713
Excess (Deficiency) of Revenues Over Expenditures	(48,436,602)
OTHER FINANCING SOURCES (Uses)	
Proceeds from issuance of long-term debt	20,110,000
Total Other Financing Sources	20,110,000
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	(28,326,602)
Fund Balance, Beginning of Year	39,980,689
Fund Balance, End of Year	$ 11,654,087

CITY OF MCKINNEY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
MCKINNEY ECONOMIC DEVELOPMENT CORPORATION
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Net change in fund balances – governmental funds	$ (28,326,602)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds do not report depreciation since it does not require the use of current financial resources.	(12,353)
Current year capital outlays are expenditures in the fund financial statements, but are increases to capital assets in the government-wide financial statements.	52,253,692
Bond principal and note payable payments are not reported in the Statement of Activities.	1,962,920
The issuance and refunding of long-term debt, are shown as "Other Sources" in the governmental funds, but are shown on the statement of net position as a changes in debt obligations with corresponding balances amortized over the life of the bonds. Issuance of long-term debt and recognition and amortization of these differences consist of the following:	
Issuance of long term-debt, net of refunding	(20,110,000)
Amortization of refunding loss	(22,038)
Interest is accrued on outstanding debt in the government-wide statements, whereas in the fund financial statements, an interest expenditure is reported when due.	(65,823)
Pension and OPEB expense are reported as the amount paid in the funds, but incorporates deferred outflows and deferred inflows in the government-wide financial statements.	(140,614)
Current year changes in the long-term liability for compensated absences do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental fund.	(14,583)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 5,524,599

CITY OF MCKINNEY, TEXAS
BALANCE SHEET
MCKINNEY COMMUNITY DEVELOPMENT CORPORATION
DISCRETELY PRESENTED COMPONENT UNITS
SEPTEMBER 30, 2018

	McKinney Community Development Corporation
ASSETS	
Cash and cash equivalents	$ 40,929,839
Investments	5,714,318
Accounts receivable	2,297,661
Accrued interest receivable	28,486
Prepaid items	13,688
Total Assets	$ 48,983,992
LIABILITIES	
Accounts payable	$ 26,788
Other accrued liabilities	6,976
Total Liabilities	33,764
FUND BALANCE	
Nonspendable	
Prepaid items	13,688
Unrestricted	48,936,540
Total Fund Balance	48,950,228
Total Liabilities and Fund Balance	$ 48,983,992

CITY OF MCKINNEY, TEXAS
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
MCKINNEY COMMUNITY DEVELOPMENT CORPORATION
DISCRETELY PRESENTED COMPONENT UNITS
SEPTEMBER 30, 2018

Total fund balance – MCDC balance sheet	$ 48,950,228
Amounts reported for governmental activities in the statement of net position are different because:	
Bonds payable are not reported in the funds.	(21,380,000)
Accrued interest is not reported in the funds.	(91,349)
Accrued liabilities for compensated absences are not reflected in the fund financial statements.	(38,401)
Deferred outflows of resources and deferred inflows of resources represent flows of resources which relate to future periods and, therefore, are not reported in the fund financial statements. Deferred outflows and deferred inflows of resources consist of:	
Deferred pension outflows (GASB 68)	22,658
Deferred OPEB outflows (GASB 75)	1,488
Deferred pension inflows (GASB 68)	(14,023)
Net pension and total OPEB liabilities are not reported in the funds.	(98,983)
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets are reported in the government-wide financial statements, net of accumulated depreciation.	6,824,018
NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 34,175,636

CITY OF MCKINNEY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
MCKINNEY COMMUNITY DEVELOPMENT CORPORATION
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	McKinney Community Development Corporation
REVENUES	
Sales and use taxes	$ 13,466,103
Investment income	657,845
Total Revenues	14,123,948
EXPENDITURES	
Community development	7,112,075
Debt Service:	
Principal retirement	975,000
Interest and fiscal charges	746,276
Total Expenditures	8,833,351
Net Change in Fund Balance	5,290,597
Fund Balance, Beginning of Year	43,659,631
Fund Balance, End of Year	$ 48,950,228

CITY OF MCKINNEY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
MCKINNEY COMMUNITY DEVELOPMENT CORPORATION
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Net change in Fund Balances – total governmental funds	$	5,290,597
Amounts reported for governmental activities in the statement of activities are different because:		
Current year long-term debt principal payments are expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements.		975,000
Interest is accrued on outstanding debt in the government-wide statements, whereas in the fund financial statements, an interest expenditure is reported when due.		1,885
Current year changes in the long-term liability for compensated absences do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds.		(803)
Governmental funds do not report depreciation since it does not require the use of current financial resources.		(141,883)
Pension and OPEB expense are reported as the amount paid in the funds, but incorporates deferred outflows and deferred inflows in the government-wide financial statements.		1,624
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$	6,126,420

CITY OF MCKINNEY, TEXAS
BALANCE SHEET
MCKINNEY CONVENTION AND VISITORS BUREAU
DISCRETELY PRESENTED COMPONENT UNITS
SEPTEMBER 30, 2018

	McKinney Convention & Visitors Bureau
ASSETS	
Cash and cash equivalents	$ 68,275
Prepaid items	21,574
Total Assets	$ 89,849
LIABILITIES	
Accounts payable	$ 14,650
Other accrued liabilities	13,132
Total Liabilities	27,782
FUND BALANCE	
Nonspendable	
Prepaid items	21,574
Unrestricted	40,493
Total Fund Balance	62,067
Total Liabilities and Fund Balance	$ 89,849

CITY OF MCKINNEY, TEXAS
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
MCKINNEY CONVENTION AND VISITORS BUREAU
DISCRETELY PRESENTED COMPONENT UNITS
SEPTEMBER 30, 2018

Total fund balance – MCVB balance sheet	$	62,067
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred outflows of resources and deferred inflows of resources represent flows of resources which relate to future periods and, therefore, are not reported in the fund financial statements. Deferred outflows and deferred inflows of resources consist of:		
Deferred pension outflows (GASB 68)		41,353
Deferred OPEB outflows (GASB 75)		2,716
Deferred pension inflows (GASB 68)		(25,594)
Net pension and total OPEB liabilities are not reported in the funds.		(180,656)
Accrued liabilities for compensated absences are not reflected in the fund financial statements.		(62,938)
NET POSITION OF GOVERNMENTAL ACTIVITIES	$	(163,052)

CITY OF MCKINNEY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
MCKINNEY CONVENTION AND VISITORS BUREAU
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	McKinney Convention & Visitors Bureau
REVENUES	
Contributions	$ 670,000
Investment income	326
Miscellaneous	4,586
Total Revenues	674,912
EXPENDITURES	
Community development	696,678
Total Expenditures	696,678
Net Change in Fund Balance	(21,766)
Fund Balance, Beginning of Year	83,833
Fund Balance, End of Year	$ 62,067

CITY OF MCKINNEY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
MCKINNEY CONVENTION AND VISITORS BUREAU
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Net change in Fund Balances – governmental funds	$	(21,766)
Amounts reported for governmental activities in the statement of activities are different because:		
Pension and OPEB expense is reported as the amount paid in the funds, but incorporates deferred outflows and deferred inflows in the government-wide financial statements.		(6,866)
Current year changes in the long-term liability for compensated absences do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds.		(2,803)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$	(31,435)

CITY OF MCKINNEY, TEXAS
BALANCE SHEET
MCKINNEY MAIN STREET
DISCRETELY PRESENTED COMPONENT UNITS
SEPTEMBER 30, 2018

	McKinney Main Street
ASSETS	
Cash and cash equivalents	$ 887,139
Accounts receivable	1,732
Prepaid items	11,668
Total Assets	$ 900,539
LIABILITIES	
Accounts payable	$ 620,438
Unearned revenue	1,515
Total Liabilities	621,953
FUND BALANCE	
Nonspendable	
Prepaid items	11,668
Unrestricted	266,918
Total Fund Balance	278,586
Total Liabilities and Fund Balance	$ 900,539

CITY OF MCKINNEY, TEXAS
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
MCKINNEY MAIN STREET
DISCRETELY PRESENTED COMPONENT UNITS
SEPTEMBER 30, 2018

Total fund balance – MMS balance sheet	$	278,586
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets are reported in the government-wide financial statements, net of accumulated depreciation.		47,732
NET POSITION OF GOVERNMENTAL ACTIVITIES	$	326,318

CITY OF MCKINNEY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
MCKINNEY MAIN STREET
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	McKinney Main Street
REVENUES	
Contributions	$ 85,219
Events	1,321,500
Total Revenues	1,406,719
EXPENDITURES	
Community development	1,373,790
Capital outlay	17,000
Total Expenditures	1,390,790
Net Change in Fund Balance	15,929
Fund Balance, Beginning of Year	262,657
Fund Balance, End of Year	$ 278,586

CITY OF MCKINNEY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
MCKINNEY MAIN STREET
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Net change in fund balances – governmental funds	$	15,929
Amounts reported for governmental activities in the statement of activities are different because:		
Current year capital outlays are expenditures in the fund financial statements, but are increases to capital assets in the government-wide financial statements.		17,000
Governmental funds do not report depreciation since it does not require the use of current financial resources.		(6,577)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$	26,352

STATISTICAL SECTION

McKINNEY™
TEXAS
Unique by nature.SM

This part of the City of McKinney's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, notes disclosures, and required supplementary information says about the City's overall financial health. This information has not been audited by the independent auditor.

Contents	**Table #s**
Financial Trends These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	**1-4**
Revenue Capacity These tables contain information to help the reader assess the City's two most significant local revenue sources, the property and sales taxes.	**5-8**
Debt Capacity These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	**9-13**
Economic and Demographic Information These tables offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.	**14-15**
Operating Information These tables contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides.	**16-18**

Source: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year.

CITY OF MCKINNEY, TEXAS
NET POSITION BY COMPONENT
ACCRUAL BASIS OF ACCOUNTING
LAST TEN FISCAL YEARS (UNAUDITED)

	Fiscal Year			
	2009	2010	2011	2012
GOVERNMENTAL ACTIVITIES				
Net investment in capital assets	$ 285,415,013	$ 290,201,450	$ 284,785,050	$ 274,393,395
Restricted for:				
Use of impact fees	5,849,676	2,027,269	4,061,242	4,549,816
Highways and streets	42,770,468	33,628,327	31,376,277	26,796,515
Debt service	1,812,651	588,843	219,454	888,855
Other capital project	-	-	-	-
Public safety	-	-	-	573,763
Community development	-	-	-	309,242
Court	-	-	-	-
Library	-	-	-	168,894
Cultural and recreation	-	-	-	6,371
Grants	62,137	22,136	65,005	452,431
Unrestricted	59,789,506	61,481,942	64,368,362	78,769,485
Total Governmental Activities Net Position	$ 395,699,451	$ 387,949,967	$ 384,875,390	$ 386,908,767
BUSINESS-TYPE ACTIVITIES				
Net investment in capital assets	$ 171,936,373	$ 206,148,786	$ 208,847,556	$ 218,424,139
Restricted for:				
Use of impact fees	2,083,128	2,537,464	2,704,125	5,025,467
Debt service	4,151,257	4,625,915	4,980,679	5,324,601
Unrestricted	89,351,500	63,541,978	74,128,202	78,188,714
Total Business-type Activities Net Position	$ 267,522,258	$ 276,854,143	$ 290,660,562	$ 306,962,921
PRIMARY GOVERNMENT				
Net investment in capital assets	$ 457,351,386	$ 496,350,236	$ 493,632,606	$ 492,817,534
Restricted for:				
Use of impact fees	7,932,804	4,564,733	6,765,367	9,575,283
Highways and streets	42,770,468	33,628,327	31,376,277	26,796,515
Debt service	5,963,908	5,214,758	5,200,133	6,213,456
Other capital project	-	-	-	-
Public safety	-	-	-	573,763
Community development	-	-	-	309,242
Court	-	-	-	-
Library	-	-	-	168,894
Cultural and recreation	-	-	-	6,371
Grants	62,137	22,136	65,005	452,431
Unrestricted	149,141,006	125,023,920	138,496,564	156,958,199
Total Primary Governmental Net Position	$ 663,221,709	$ 664,804,110	$ 675,535,952	$ 693,871,688

Source: Comprehensive Annual Financial Report

Note: Beginning in 2011, net position reflects the omission of MCVB, which is now reported as a discretely presented component unit.
In addition, beginning in 2012 GASB Statement 54 was adopted which amended net position classifications.

TABLE 1

Fiscal Year					
2013	2014	2015	2016	2017	2018
$ 279,952,868	$ 252,289,367	$ 268,918,693	$ 320,331,134	$ 403,719,522	$ 440,381,046
6,700,810	5,692,253	-	-	-	-
26,406,329	24,938,952	28,691,743	32,306,475	32,618,355	39,325,471
1,285,455	1,400,079	4,107,035	3,894,517	4,605,297	5,550,814
46,153,392	50,015,128	65,017,451	44,403,282	53,624,967	76,097,635
803,777	896,023	601,868	614,384	576,119	520,453
513,456	779,686	1,312,903	4,110,258	4,553,868	5,082,730
-	-	-	350,172	383,860	412,412
242,609	248,630	224,501	203,093	131,231	84,924
16,109	15,412	13,751	14,067	10,423	2,628
425,968	434,681	269,985	257,398	180,313	178,151
41,729,688	56,117,047	34,468,809	44,277,694	69,040,330	16,826,562
$ 404,230,461	$ 392,827,258	$ 403,626,739	$ 450,762,474	$ 569,444,285	$ 584,462,826
$ 233,112,767	$ 330,408,725	$ 340,775,669	$ 370,316,179	$ 391,997,298	$ 448,604,533
8,806,302	7,564,939	8,995,690	8,407,115	9,415,280	10,286,227
5,528,516	5,601,263	4,248,344	4,338,428	6,420,315	7,015,666
77,348,628	89,167,306	88,825,761	89,348,086	100,155,117	107,923,617
$ 324,796,213	$ 432,742,233	$ 442,845,464	$ 472,409,808	$ 507,988,010	$ 573,830,043
$ 513,065,635	$ 582,698,092	$ 609,694,362	$ 690,647,313	$ 795,716,820	$ 888,985,579
15,507,112	13,257,192	8,995,690	8,407,115	9,415,280	10,286,227
26,406,329	24,938,952	28,691,743	32,306,475	32,618,355	39,325,471
6,813,971	7,001,342	8,355,379	8,232,945	11,025,612	12,566,480
46,153,392	50,015,128	65,017,451	44,403,282	53,624,967	76,097,635
803,777	896,023	601,868	614,384	576,119	520,453
513,456	779,686	1,312,903	4,110,258	4,553,868	5,082,730
-	-	-	350,172	383,860	412,412
242,609	248,630	224,501	203,093	131,231	84,924
16,109	15,412	13,751	14,067	10,423	2,628
425,968	434,681	269,985	257,398	180,313	178,151
119,078,316	145,284,353	123,294,570	133,625,780	169,195,447	124,750,179
$ 729,026,674	$ 825,569,491	$ 846,472,203	$ 923,172,282	$ 1,077,432,295	$ 1,158,292,869

CITY OF MCKINNEY, TEXAS
CHANGES IN NET POSITION
ACCRUAL BASIS OF ACCOUNTING
LAST TEN FISCAL YEARS (UNAUDITED)

	Fiscal Year			
	2009	2010	2011	2012
Expenses				
Governmental activities:				
General government	$ 21,117,506	$ 29,245,688	$ 23,110,420	$ 21,828,013
Police	20,881,195	21,276,723	20,670,697	21,843,375
Fire	19,371,301	19,828,670	19,772,826	19,636,533
Libraries	2,894,683	3,179,616	3,039,839	3,258,633
Development	9,507,244	9,491,109	8,777,957	8,522,548
Parks and recreation	9,383,872	9,215,196	9,864,370	9,695,909
Public works	30,724,972	33,614,032	32,416,388	33,199,659
Interest on long-term debt	9,045,551	10,241,441	10,161,568	9,514,103
Airport	1,850,442	2,655,115	565,000	565,000
Total Governmental Activities Expenses	124,776,766	138,747,590	128,379,065	128,063,773
Business-type activities:				
Water/Wastewater	41,467,962	44,083,602	46,104,008	47,777,509
Solid Waste	5,724,412	6,213,755	6,066,387	6,572,110
Golf Course	187,769	258,801	224,175	220,140
Surface Water Drainage	877,048	1,583,183	1,633,798	1,551,577
Airport	-	-	-	-
Total Business-type Activities Expenses	48,257,191	52,139,341	54,028,368	56,121,336
Total Primary Government Expenses	$ 173,033,957	$ 190,886,931	$ 182,407,433	$ 184,185,109
Program Revenues				
Governmental activities:				
Charges for Services:				
General government	$ 2,692,338	$ 2,976,341	$ 2,999,584	$ 2,896,926
Police	2,689,592	2,529,019	2,676,107	3,449,850
Fire	1,607,943	794,661	1,919,405	1,620,136
Libraries	71,437	86,927	95,033	106,890
Development	3,949,296	4,058,203	3,958,584	6,299,051
Parks and recreation	1,123,973	1,037,454	1,071,536	1,012,260
Public Works	-	-	-	-
Interest on long-term debt	-	528,000	528,000	528,000
Airport	-	-	-	4,767
Operating grants and contributions	1,834,766	2,471,193	2,772,410	2,343,700
Capital grants and contributions	63,619,883	20,349,634	12,986,318	20,325,797
Total Governmental Activities Program Revenues	77,589,228	34,831,432	29,006,977	38,587,377
Business-type activities:				
Charges for Services:				
Water/Wastewater	45,499,621	48,117,477	57,185,108	54,717,547
Solid Waste	6,372,156	6,000,135	6,836,486	6,763,746
Golf Course	79,451	82,026	110,257	115,177
Surface Water Drainage	1,684,830	1,751,066	1,795,342	1,880,951
Airport	-	-	-	-
Operating grants and contributions	-	-	-	-
Capital grants and contributions	21,663,743	7,106,651	3,483,388	10,797,849
Total Business-type Activities Program Revenues	75,299,801	63,057,355	69,410,581	74,275,270
Total Primary Government Program Revenues	$ 152,889,029	$ 97,888,787	$ 98,417,558	$ 112,862,647

Fiscal Year					
2013	**2014**	**2015**	**2016**	**2017**	**2018**
$ 20,555,978	$ 33,368,297	$ 27,058,274	$ 29,952,269	$ 34,346,612	$ 35,050,241
23,340,362	26,024,709	25,624,335	29,047,393	31,471,552	34,855,099
21,432,874	22,806,691	23,727,013	25,631,075	27,403,683	31,326,519
3,276,383	3,320,179	3,693,705	3,774,409	3,819,963	3,968,132
9,107,096	10,057,171	13,418,166	10,222,464	10,745,301	11,992,802
10,370,483	10,415,311	9,377,277	12,526,997	16,517,121	20,227,336
35,111,875	37,604,682	39,812,246	40,143,368	44,061,044	47,181,195
8,912,771	8,482,455	8,019,483	9,020,305	8,457,638	7,617,338
613,513	-	-	-	-	-
132,721,335	152,079,495	150,730,499	160,318,280	176,822,914	192,218,662
52,003,461	55,007,446	60,487,007	69,073,537	74,364,452	86,521,086
6,486,035	6,280,217	6,860,903	6,861,627	7,386,715	7,640,500
351,556	194,403	198,663	182,383	192,350	209,085
1,660,597	1,934,435	1,911,038	2,098,662	2,771,455	2,531,085
-	8,601,099	8,859,527	9,340,030	9,797,154	11,332,572
60,501,649	72,017,600	78,317,138	87,556,239	94,512,126	108,234,328
$ 193,222,984	$ 224,097,095	$ 229,047,637	$ 247,874,519	$ 271,335,040	$ 300,452,990
$ 1,492,078	$ 1,467,171	$ 3,842,116	$ 4,327,862	$ 1,734,117	$ 8,566,014
2,797,246	2,552,326	1,757,760	2,033,877	2,894,518	137,611
2,187,476	2,394,449	2,631,057	3,346,928	3,628,262	3,256,577
109,709	112,271	108,738	92,746	81,835	52,211
7,296,819	7,264,193	9,825,165	10,637,402	13,523,148	10,753,714
1,054,194	965,429	1,031,799	1,048,658	3,893,394	5,465,766
-	-	-	-	218,620	-
528,000	528,000	-	-	-	-
8,325	2,199	-	-	-	-
2,459,385	2,446,548	2,051,029	2,011,757	3,302,214	2,761,779
27,495,901	28,827,649	38,427,242	48,227,810	104,025,218	50,240,637
45,429,133	46,560,235	59,674,906	71,727,040	133,301,326	81,234,309
56,832,659	54,882,881	58,854,349	70,527,096	78,432,191	91,188,605
6,874,406	7,372,250	7,598,827	8,121,069	8,443,042	8,864,585
116,227	105,854	88,890	34,123	34,516	31,086
1,898,269	1,998,850	2,701,864	3,517,545	3,587,187	3,756,789
-	4,587,659	5,801,175	6,411,460	7,149,114	8,315,001
-	94,582	67,332	54,753	49,752	32,291
14,745,211	96,783,997	18,125,746	30,335,555	30,423,073	38,937,521
80,466,772	165,826,073	93,238,183	119,001,601	128,118,875	151,125,878
$ 125,895,905	$ 212,386,308	$ 152,913,089	$ 190,728,641	$ 261,420,201	$ 232,360,187

(continued)

CITY OF MCKINNEY, TEXAS
CHANGES IN NET POSITION – CONTINUED
ACCRUAL BASIS OF ACCOUNTING
LAST TEN FISCAL YEARS (UNAUDITED)

	Fiscal Year			
	2009	2010	2011	2012
NET (EXPENSES) REVENUE				
Governmental activities	$ (47,187,538)	$ (103,916,158)	$ (99,372,088)	$ (89,476,396)
Business-type activities	27,042,610	10,918,014	15,382,213	18,153,934
Total Primary Government Net Expenses	$ (20,144,928)	$ (92,998,144)	$ (83,989,875)	$ (71,322,462)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION				
Governmental activities:				
Taxes:				
Property taxes	$ 62,815,581	$ 63,172,075	$ 62,862,038	$ 64,193,735
Sales and use taxes	17,124,800	16,868,201	17,265,587	18,392,901
Franchise taxes	9,724,093	10,794,251	12,050,388	12,051,980
Other taxes and fees	-	-	-	-
Investment income	2,764,578	2,378,612	1,664,055	846,135
Miscellaneous	892,940	175,614	257,395	618,827
Transfers	2,833,843	2,643,302	2,643,302	2,798,302
Prior period adjustment	-	-	-	-
Total Governmental Activities	96,155,835	96,032,055	96,742,765	98,901,880
BUSINESS-TYPE ACTIVITIES				
Investment income	1,318,112	1,031,169	1,020,661	924,457
Gain on sale of capital assets	10,704	(37,436)	46,847	22,270
Contributions	-	-	-	-
Miscellaneous	-	-	-	-
Transfers	(2,833,843)	(2,643,302)	(2,643,302)	(2,798,302)
Prior period adjustment	-	-	-	-
Total Business-type Activities	(1,505,027)	(1,649,569)	(1,575,794)	(1,851,575)
Total Primary Government	$ 94,650,808	$ 94,382,486	$ 95,166,971	$ 97,050,305
CHANGE IN NET POSITION				
Governmental activities	$ 48,968,297	$ (7,884,103)	$ (2,629,323)	$ 9,425,484
Business-type activities	25,537,583	9,268,445	13,806,419	16,302,359
Total Primary Government	$ 74,505,880	$ 1,384,342	$ 11,177,096	$ 25,727,843

Source: Comprehensive Annual Financial Report

Note: Beginning in 2011, net position reflects the omission of MCVB, which is now reported as a discretely presented component unit of the City.

Fiscal Year					
2013	2014	2015	2016	2017	2018
$ (87,292,202)	$ (105,519,260)	$ (91,055,593)	$ (88,591,240)	$ (43,521,588)	$ (110,984,353)
19,965,123	93,808,473	14,921,045	31,445,362	33,606,749	42,891,550
$ (67,327,079)	$ (11,710,787)	$ (76,134,548)	$ (57,145,878)	$ (9,914,839)	$ (68,092,803)
$ 65,707,908	$ 70,586,659	$ 79,819,213	$ 90,581,621	$ 101,593,480	$ 107,281,843
20,364,397	21,298,884	23,041,949	25,360,264	27,117,534	29,078,546
12,759,298	13,630,462	13,858,355	14,162,263	14,790,276	16,253,134
-	-	434,494	417,981	2,651,192	338,030
334,465	298,151	370,660	1,153,094	2,314,659	3,994,843
2,593,617	4,282,531	2,833,951	715,114	11,936,004	820,319
2,854,211	(15,104,793)	2,965,135	3,336,638	1,596,987	(20,387,661)
-	-	(21,468,683)	-	-	(11,376,160)
104,613,896	94,991,894	101,855,074	135,726,975	162,000,132	126,002,894
662,230	565,121	663,128	1,216,134	1,828,821	3,891,835
60,150	(851,572)	(92,106)	-	-	-
-	-	-	-	-	-
-	-	-	239,486	1,739,619	314,024
(2,854,211)	15,104,793	(2,965,135)	(3,336,638)	(1,596,987)	20,387,661
-	-	(2,552,917)	-	-	(1,643,037)
(2,131,831)	14,818,342	(4,947,030)	(1,881,018)	1,971,453	22,950,483
$ 102,482,065	$ 109,810,236	$ 96,908,044	$ 133,845,957	$ 163,971,585	$ 148,953,377
$ 17,321,694	$ (10,527,366)	$ 10,799,481	$ 47,135,735	$ 118,478,544	$ 26,394,701
17,833,292	108,626,815	9,974,015	29,564,344	35,578,202	67,485,070
$ 35,154,986	$ 98,099,449	$ 20,773,496	$ 76,700,079	$ 154,056,746	$ 93,879,771

(concluded)

CITY OF MCKINNEY, TEXAS
FUND BALANCES, GOVERNMENTAL FUNDS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
LAST TEN FISCAL YEARS (UNAUDITED)

	Fiscal Year			
	2009	2010	2011	2012
GENERAL FUND				
Nonspendable:				
Inventory	$ -	$ -	$ -	$ 193,885
Prepaid items	-	-	-	304,556
Land held for sale	-	-	-	315,194
Note receivable from component unit	-	-	-	1,647,500
Restricted:				
Law enforcement	-	-	-	-
Court	-	-	-	-
Assigned:				
Capital equip replacement	-	-	-	-
Disaster relief	-	-	-	-
OPEB	-	-	-	1,692,681
Public & performing arts	-	-	-	-
Unassigned	-	-	-	46,207,763
Reserved for:				
Inventory and prepaid items	1,054,833	941,699	-	-
Advance to other funds	-	-	-	-
Note receivable from component unit	10,355,000	4,102,500	2,917,500	-
Designated:				
Insurance risk	1,600,559	1,600,559	1,600,559	-
Unreserved	28,838,279	33,023,643	37,448,127	-
Total General Fund	$ 41,848,671	$ 39,668,401	$ 41,966,186	$ 50,361,579
ALL OTHER GOVERNMENTAL FUNDS				
Nonspendable:				
Prepaid items	$ -	$ -	$ 423,897	$ 18,976
Restricted:				
Debt service	-	-	1,261,454	1,719,641
Street construction	-	-	31,356,277	31,346,331
Capital projects	-	-	36,523,123	36,259,889
Law enforcement	-	-	164,887	549,780
Fire	-	-	26,858	23,983
PEG	-	-	-	-
Library	-	-	384,855	168,894
Community Housing	-	-	65,005	56,485
Veterans Memorial Park	-	-	-	6,371
Hotel/Motel	-	-	-	309,242
Transit	-	-	-	-
Grants	-	-	150,292	395,946
Assigned:				
Capital equip replacement	-	-	-	-
Reserved for:				
Prepaid items	736,658	570,994	-	-
Debt service	2,734,212	1,891,142	-	-
Street construction	42,247,778	33,628,327	-	-
Capital projects funds	34,402,903	45,431,706	-	-
Unreserved, reported in:				
Special revenue funds	2,208,805	1,975,456	-	-
Total all Other Governmental Funds	$ 82,330,356	$ 83,497,625	$ 70,356,648	$ 70,855,538

TABLE 3

Fiscal Year					
2013	**2014**	**2015**	**2016**	**2017**	**2018**
$ 210,392	$ 241,881	$ 331,605	$ 46,072	$ 53,892	$ 44,571
295,637	532,207	852,860	1,253,144	3,279,895	7,674,570
-	-	-	-	-	-
287,500	-	-	-	-	-
-	-	-	-	10,972	-
-	-	-	350,172	383,860	412,412
-	-	-	-	10,155,890	9,926,152
-	-	-	-	516,552	516,552
1,855,500	2,026,617	2,485,326	2,811,040	3,317,131	4,374,343
-	-	-	-	408,640	460,935
48,144,225	39,038,915	45,819,513	61,145,601	62,349,115	53,483,079
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ 50,793,254	$ 41,839,620	$ 49,489,304	$ 65,606,029	$ 80,475,947	$ 76,892,614
$ 16,174	$ 19,817	$ 48,664	$ 92,305	$ 91,159	$ 96,403
2,240,054	2,917,011	2,917,011	3,894,517	4,605,297	5,550,814
33,107,139	30,631,205	64,887,370	65,976,278	66,288,158	96,232,002
46,153,392	50,015,128	65,017,451	89,308,763	85,952,066	73,143,080
768,113	855,456	558,905	564,486	522,618	488,596
35,664	40,567	42,963	49,898	42,529	31,857
-	-	1,493,395	1,825,885	1,334,050	1,504,203
242,609	248,630	224,501	203,093	131,231	84,924
90,025	85,617	73,787	73,536	227,770	224,977
16,109	15,412	13,751	14,067	10,423	2,628
513,456	779,686	1,312,903	2,210,837	2,919,895	3,805,453
-	-	-	-	72,153	74,813
335,943	349,064	269,985	257,398	180,313	178,151
-	-	-	-	6,642,090	7,439,148
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	918,558	-	-	-
$ 83,518,678	$ 85,957,593	$ 137,779,244	$ 164,471,063	$ 169,019,752	$ 188,857,049

CITY OF MCKINNEY, TEXAS
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
MODIFIED ACCRUAL BASIS OF ACCOUNTING
LAST TEN FISCAL YEARS (UNAUDITED)

	Fiscal Year			
	2009	2010	2011	2012
REVENUES				
Property taxes	$ 62,832,495	$ 62,960,439	$ 62,717,460	$ 64,194,518
Sales and use taxes	17,124,800	16,926,949	17,265,587	18,342,838
Franchise fees	9,759,548	10,731,125	11,941,486	12,113,230
Other taxes and fees	-	-	-	-
Licenses and permits	4,726,614	4,809,193	4,692,292	7,204,700
Intergovernmental	15,403,491	4,400,346	5,861,390	5,656,795
Charges for services	4,867,661	5,846,806	6,040,354	5,892,485
Fines and forfeitures	2,276,354	1,990,092	2,183,023	2,507,707
Investment income	2,741,843	2,387,670	1,284,718	846,135
Contributions	14,668,141	6,000,759	5,224,780	7,438,881
Miscellaneous	856,806	255,221	265,146	661,477
Total Revenues	135,257,753	116,308,600	117,476,236	124,858,766
EXPENDITURES				
General government	19,366,493	22,098,360	20,785,693	19,020,719
Police	19,923,024	20,145,964	19,655,184	20,285,700
Fire	17,894,488	17,959,131	17,930,235	17,302,735
Libraries	2,638,350	2,909,708	2,781,727	2,775,484
Development	9,185,580	9,159,668	8,512,495	8,119,293
Parks and recreation	7,399,164	7,145,909	7,275,824	6,954,994
Public works	12,275,920	13,286,420	10,610,792	10,882,395
Airport	1,850,442	2,655,115	565,000	565,000
Capital outlay	52,493,363	29,483,890	22,264,775	13,503,040
Debt service:				
Principal retirement	9,905,035	10,848,562	9,980,000	10,390,000
Interest and fiscal charges	9,008,269	9,679,110	10,254,116	9,466,819
Total Expenditures	161,940,128	145,371,837	130,615,841	119,266,179
Excess (deficiency) of revenues over (under) expenditures	(26,682,375)	(29,063,237)	(13,139,605)	5,592,587
OTHER FINANCING SOURCES (USES)				
Issuance of long-term debt	28,210,000	25,295,000	-	14,670,000
Deposit to escrow account	-	-	-	(16,685,444)
Premium on issuance of debt	-	-	-	2,127,248
Proceeds from sale of property	93,301	111,934	105,911	205,236
Transfers in	4,813,797	3,548,163	3,385,024	4,505,981
Transfers out	(1,979,954)	(904,861)	(741,722)	(1,707,679)
Total Other Financing Sources (Uses)	31,137,144	28,050,236	2,749,213	3,115,342
NET CHANGE IN FUND BALANCES	$ 4,454,769	$ (1,013,001)	$ (10,390,392)	$ 8,707,929
Debt Service as a Percentage of Noncapital Expenditures	**17.3%**	**17.7%**	**18.7%**	**18.8%**

Source: Comprehensive Annual Financial Report

Fiscal Year					
2013	**2014**	**2015**	**2016**	**2017**	**2018**
$ 66,252,931	$ 70,362,574	$ 79,955,673	$ 90,670,647	$ 100,499,796	$ 107,623,520
20,335,968	21,278,009	23,041,949	25,360,264	27,117,534	29,078,546
12,725,594	13,696,854	13,767,129	14,162,263	14,790,276	16,167,036
-	-	434,494	417,981	353,059	338,030
8,154,941	8,168,583	10,537,838	11,484,965	14,883,837	11,495,904
5,832,483	5,405,262	5,434,807	4,249,380	8,742,283	5,060,919
4,957,547	5,074,643	6,721,752	7,941,488	9,791,668	11,218,065
2,499,512	2,191,902	2,029,116	2,061,020	2,134,066	2,105,678
330,063	291,194	370,660	1,153,094	2,314,659	3,994,843
10,030,426	12,053,759	14,229,992	13,117,358	14,274,613	16,539,875
282,923	367,552	533,192	715,114	11,936,005	820,319
131,402,388	138,890,332	157,056,602	171,333,574	206,837,796	204,442,735
19,336,330	30,876,833	22,228,405	23,766,504	28,600,730	29,039,706
22,036,551	24,603,118	25,545,773	27,074,194	29,519,229	33,382,794
19,409,153	21,004,629	22,848,846	23,588,822	24,934,620	27,961,499
2,826,451	2,868,747	3,279,002	3,379,840	3,382,296	3,533,097
8,750,307	9,617,376	10,291,439	10,074,158	10,397,360	11,670,785
7,504,161	7,804,340	8,072,018	8,977,206	12,822,926	15,349,806
11,097,574	12,150,458	13,857,657	13,007,662	14,329,110	15,961,755
613,513	-	-	-	-	-
16,299,213	34,224,581	24,259,961	20,225,428	38,130,013	36,517,520
10,755,000	10,810,000	13,485,000	16,452,929	18,309,211	22,096,915
8,823,139	9,304,662	9,434,720	10,836,635	11,210,643	10,523,333
127,451,392	163,264,744	153,302,821	157,383,378	191,636,138	206,037,210
3,950,996	(24,374,412)	3,753,781	13,950,196	15,201,658	(1,594,475)
24,925,000	56,370,000	45,715,000	57,530,000	21,965,000	30,875,000
(21,716,799)	(27,119,524)	-	(44,520,122)	(24,461,495)	-
3,019,430	3,687,285	7,009,684	8,868,878	2,695,707	2,101,985
61,977	25,972	28,488	3,436,712	1,648,564	253,724
9,866,340	(9,732,556)	5,027,413	8,778,072	14,421,247	6,775,730
(7,012,129)	(5,372,237)	(2,062,278)	(5,235,192)	(12,255,341)	(22,158,000)
9,143,819	17,858,940	55,718,307	28,858,348	4,013,682	17,848,439
$ 13,094,815	$ (6,515,472)	$ 59,472,088	$ 42,808,544	$ 19,215,340	$ 16,253,964
17.6%	**15.6%**	**17.8%**	**19.9%**	**19.2%**	**19.2%**

CITY OF MCKINNEY, TEXAS
ASSESSED VALUE OF TAXABLE PROPERTY
PER $100 OF ASSESSED VALUE
LAST TEN FISCAL YEARS (UNAUDITED)

TABLE 5

Fiscal Year	Residential Property	Commercial Property	Lots, Land and Farms Property	Less: Tax-Exempt Property	Total Taxable Assessed Value[a]	Total Direct Tax Rate
2009	7,403,164,789	2,870,687,709	1,579,799,525	1,263,350,246	10,590,301,777	0.58550
2010	7,626,499,353	2,929,634,966	1,335,349,886	1,176,779,441	10,714,704,764	0.58550
2011	7,727,106,308	2,890,958,467	1,236,326,385	1,174,802,675	10,679,588,485	0.58550
2012	7,987,599,999	2,824,853,811	1,172,661,685	1,138,232,846	10,846,882,649	0.58550
2013	8,191,878,816	2,813,905,174	1,167,916,179	1,145,519,714	11,028,180,455	0.58550
2014	8,912,765,220	2,923,157,524	1,197,788,548	2,104,215,838	10,929,495,454	0.58550
2015	10,330,477,753	3,120,649,093	1,331,499,993	1,308,701,373	13,473,925,466	0.58300
2016	12,029,014,758	3,398,536,705	1,406,368,521	1,506,353,094	15,327,566,890	0.58300
2017	13,788,110,133	3,684,032,886	1,544,443,201	1,714,554,267	17,302,031,953	0.57300
2018	15,746,203,971	4,019,370,476	1,745,114,030	2,156,646,234	19,354,042,243	0.54020

Source: City of McKinney Budget Document
Collin Central Appraisal District

Note: Property in Collin County is reassessed once every five years on average.
The County assesses property at 100% of its market value. Tax rates are per $100 of assessed value.

[a] Includes adjustments to certified rolls
Fiscal Year reports Certified Tax Report from prior calendar year

CITY OF MCKINNEY, TEXAS
DIRECT AND OVERLAPPING PROPERTY TAX RATES
PER $100 OF ASSESSED VALUE
LAST TEN FISCAL YEARS (UNAUDITED)

TABLE 6

	City Direct Rates			Overlapping Rates							
Fiscal Year	Operating/ General Rate	General Obligation Debt Service	Total Direct	McKinney ISD	Allen ISD	Frisco ISD	Melissa ISD	Prosper ISD	Lovejoy ISD	Collin County	Collin College District
2009	0.40650	0.17900	0.58550	1.51700	1.47030	1.37000	1.54000	1.67000	1.51500	0.24250	0.08649
2010	0.40650	0.17900	0.58550	1.54000	1.54000	1.39000	1.54000	1.64000	1.53500	0.24250	0.08630
2011	0.40650	0.17900	0.58550	1.52800	1.54000	1.39000	1.54000	1.63000	1.53500	0.24000	0.08630
2012	0.41220	0.17330	0.58550	1.54000	1.67000	1.42000	1.54000	1.67000	1.53500	0.24000	0.08630
2013	0.42179	0.16371	0.58550	1.54000	1.67000	1.46000	1.54000	1.67000	1.53500	0.24000	0.08630
2014	0.41220	0.17330	0.58550	1.67000	1.67000	1.46000	1.54000	1.67000	1.53500	0.23750	0.08364
2015	0.41544	0.16756	0.58300	1.67000	1.64000	1.46000	1.54000	1.67000	1.56000	0.23500	0.08196
2016	0.40997	0.17303	0.58300	1.67000	1.61000	1.46000	1.67000	1.67000	1.56000	0.22500	0.08196
2017	0.40177	0.17123	0.57300	1.62000	1.59000	1.46000	1.67000	1.67000	1.67000	0.20840	0.08122
2018	0.37561	0.16459	0.54020	1.62000	1.57000	1.46000	1.67000	1.67000	1.67000	0.19225	0.07981

Source: Collin Central Appraisal District
ISD: Independent School District

CITY OF MCKINNEY, TEXAS
PRINCIPAL TAX PAYERS
CURRENT YEAR AND TEN YEARS AGO (UNAUDITED)

TABLE 7

	2018			2009		
Taxpayer	**Taxable Assessed Value**	**Rank**	**Percentage of Total City Taxable Assessed Value[a]**	**Taxable Assessed Value**	**Rank**	**Percentage of Total City Taxable Assessed Value[b]**
Encore Wire Limited	$ 112,478,716	1	0.52%	$ 87,150,688	1	0.74%
Raytheon TI Systems	85,149,599	2	0.40%	81,721,526	2	0.69%
Fairways Wilson Creek Apartments LLC	58,973,486	3	0.27%	-		-
Oncor Electric Delivery Co.	55,027,871	4	0.26%	56,053,779	4	-
West Eldorado TX Partners LLC (Saxon Woods)	54,482,370	5	0.25%	43,865,453	7	0.37%
Areg Grassmere TX Partners LLC (Retreat at Stonebridge)	52,357,181	6	0.24%	-		-
Craig Ranch PT MFA I LP (Parkside At Craig Ranch)	50,172,526	7	0.23%	-		-
Orion McKinney LLC	49,967,691	8	0.23%	-		-
Columbia Medical Center of McKinney	48,086,966	9	0.22%	51,687,487	6	0.44%
Centennial Lake Forest LP	47,950,000	10	0.22%	-		-
Blockbuster Video Inc	-		-	57,713,785	3	0.00%
TXU Electric Delivery Co.	-		-	53,803,940	5	0.45%
Horton D R - Texas, LTD	-		-	42,789,221	8	0.36%
Covington Cameron Acquisition LLC	-		-	39,970,294	9	0.34%
VCIM Partners LP	-		-	38,054,675	10	0.32%
Total	$ 614,646,406		2.84%	$ 552,810,848		3.71%

Source: Collin County Tax Assessor and Collector

Notes: [a] Taxpayers are assessed on January 1, 2017 (2017 tax year) for the 2018 fiscal year.
[b] Taxpayers are assessed on January 1, 2008 (2008 tax year) for the 2009 fiscal year.

CITY OF MCKINNEY, TEXAS
AD VALOREM TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS (UNAUDITED)

TABLE 8

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2009	62,280,815	61,576,965	98.87%	617,636	62,194,601	99.86%
2010	63,006,753	61,922,528	98.28%	1,025,755	62,948,282	99.91%
2011	63,053,432	61,902,188	98.17%	1,086,681	62,988,869	99.90%
2012	64,121,984	63,014,520	98.27%	1,046,992	64,061,512	99.91%
2013	65,373,489	64,302,483	98.36%	1,012,058	65,314,541	99.91%
2014	70,487,696	69,377,804	98.43%	1,024,842	70,402,646	99.88%
2015	78,903,465	78,046,228	98.91%	738,566	78,784,794	99.85%
2016	89,298,750	88,635,948	99.26%	516,599	89,152,547	99.84%
2017	99,131,233	98,638,066	99.50%	336,173	98,974,239	99.84%
2018	105,895,821	105,628,137	99.75%	-	105,628,137	99.75%

Source: Collin County Tax Assessor and Collector

CITY OF MCKINNEY, TEXAS
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS (UNAUDITED)

TABLE 9

	Governmental Activities				Business-Type Activities				
Fiscal Year	General Obligation Bonds	Certificates of Obligation	Tax Notes	Other Obligations	Water and Sewer Revenue Bonds	Other Obligations	Total Primary Government	Percentage of Personal Income[a]	Per Capita[a]
2009	146,080,000	67,115,000	-	3,807,225	81,025,000	148,043	298,175,268	8.67%	2,442
2010	153,030,000	74,675,000	-	4,828,737	82,975,000	317,087	315,825,824	8.55%	2,409
2011	145,415,000	72,310,000	-	4,931,501	78,635,000	397,025	301,688,526	7.25%	2,258
2012	140,685,000	64,990,000	-	9,127,211	74,040,000	751,312	289,593,523	6.73%	2,128
2013	132,770,000	65,835,000	-	13,003,078	68,980,000	1,637,718	282,225,796	6.20%	2,004
2014	144,245,000	68,875,000	4,910,000	8,353,993	64,415,000	1,786,567	292,585,560	6.00%	1,969
2015	192,241,210	66,151,279	5,031,638	1,732,249	66,009,020	-	331,165,396	6.50%	2,135
2016	210,133,796	54,330,000	3,792,501	1,379,321	79,937,575	-	349,573,193	6.36%	2,159
2017	202,283,166	43,080,000	2,540,676	1,095,110	114,746,638	-	363,745,590	6.16%	2,161
2018	213,360,338	41,200,000	1,276,423	803,196	119,652,993	-	376,292,950	5.97%	2,093

Note: Details regarding the City's outstanding debt is found in the notes to the financial statements.

[a] See Table 14 for personal income and population data.

CITY OF MCKINNEY, TEXAS
RATIO OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS (UNAUDITED)

TABLE 10

Fiscal Year	General Bonded Debt Outstanding: General Obligation Bonds	Certificates of Obligation	Tax Notes	Total	Percentage of Actual Taxable Value of Property[a]	Per Capita[b]
2009	146,080,000	-	-	146,080,000	1.38%	1,203
2010	153,030,000	-	-	153,030,000	1.42%	1,197
2011	145,415,000	72,310,000	-	217,725,000	2.02%	1,167
2012	140,685,000	64,990,000	-	205,675,000	1.88%	1,629
2013	132,770,000	65,835,000	-	198,605,000	1.80%	1,512
2014	144,245,000	68,875,000	4,910,000	218,030,000	1.99%	1,410
2015	192,241,210	66,151,279	5,031,638	263,424,127	1.95%	1,468
2016	210,133,796	54,330,000	3,792,501	268,256,297	1.75%	1,698
2017	202,283,166	43,080,000	2,540,676	247,903,842	1.43%	1,657
2018	213,360,338	41,200,000	1,276,423	255,836,761	1.32%	1,423

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

[a] See Table 5 for property value data.

[b] See Table 14 for population data.

CITY OF MCKINNEY, TEXAS
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS (UNAUDITED)

TABLE 11

	Fiscal Year									
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Tax Rate Limit	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50
Current Tax Rate	0.5855	0.5855	0.5855	0.5855	0.5855	0.5855	0.5830	0.5830	0.5730	0.5402
Available Tax Rate	$ 1.91	$ 1.91	$ 1.91	$ 1.91	$ 1.91	$ 1.91	$ 1.92	$ 1.92	$ 1.93	$ 1.96

Note: The City Charter of the City of McKinney, Texas does not provide for a debt limit. Under provisions of state law, the maximum tax rate is limited to $2.50 per $100 assessed valuation. No direct bond debt limitation is imposed on the City under current state law or the City's Charter.

CITY OF MCKINNEY, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
SEPTEMBER 30, 2018 (UNAUDITED)

TABLE 12

Governmental Unit	Gross Bonded Debt	Estimated Percentage Applicable[a]	McKinney Share of Overlapping Debt
Debt repaid with property taxes			
McKinney ISD	$ 531,975,000	88.977%	$ 473,334,061
Collin College District	264,388,553	15.525%	41,045,712
Collin County	319,815,000	15.511%	49,605,772
Allen ISD	629,244,570	6.830%	42,974,903
Frisco ISD	1,909,862,224	15.210%	290,491,527
Melissa ISD	186,945,056	1.205%	2,252,439
Prosper ISD	616,632,002	24.989%	154,087,314
Lovejoy ISD	162,875,234	2.556%	4,163,670
Subtotal, overlapping debt	$ 4,621,737,639		1,057,955,398
City of McKinney (Direct Debt)	$ 256,639,957	100.000%	256,639,957
Total Direct and Overlapping Debt			$ 1,314,595,355

Source: Assessed value data used to estimate applicable percentages provided by Collin County Central Appraisal District. Debt outstanding data provided by each governmental unit.

Note: [a] The percentage of overlapping debt applicable is estimated using taxable assessed property values (before freeze loss). Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

CITY OF MCKINNEY, TEXAS **TABLE 13**
PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year	Water and Sewer System Revenue Bonds				
	Total Revenues[a]	Less: Operating Expenses[b]	Net Available Revenue	Annual Requirement[c]	Times Coverage
2009	$ 46,584,797	$ 32,157,583	$ 14,427,214	$ 5,744,594	2.51
2010	48,990,765	34,215,781	14,774,984	5,797,296	2.55
2011	57,912,585	35,956,535	21,956,050	5,402,317	4.06
2012	55,403,332	37,820,688	17,582,644	4,979,317	3.53
2013	57,208,779	41,360,736	15,848,043	4,523,586	3.50
2014	55,313,403	44,364,584	10,948,819	4,155,783	2.63
2015	59,442,114	49,810,061	9,632,053	4,110,810	2.34
2016	71,714,020	57,597,770	14,116,250	4,861,938	2.90
2017	80,127,546	61,991,651	18,135,895	7,052,254	2.57
2018	94,797,855	71,430,215	23,367,640	7,357,075	3.18

Note: [a] Includes operating revenues and investment income.
[b] Includes operating expenses minus depreciation.
[c] Includes Principal and Interest (represents average annual requirement).

CITY OF MCKINNEY, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS (UNAUDITED)

TABLE 14

Year	Estimated Population[a]	Personal Income[b]	Per Capita Personal Income[e]	Median Age[e]	Median Household Income[a]	School Enrollment[c]	Unemployment Rate[d]
2009	122,083	$ 3,440,909,355	$ 28,185	30.6	$ 63,366	23,889	7.40%
2010	131,117	3,695,532,645	28,185	30.6	63,366	24,346	8.00%
2011	133,619	4,158,624,137	31,123	31.7	77,405	24,730	8.10%
2012	136,067	4,304,479,545	31,635	32.0	78,256	24,461	5.90%
2013	140,826	4,550,088,060	32,310	33.6	79,171	24,533	5.60%
2014	148,559	4,880,014,591	32,849	30.6	81,118	24,791	4.50%
2015	155,142	5,096,259,558	32,849	33.0	81,118	24,765	3.40%
2016	161,905	5,495,217,605	33,941	33.3	82,988	24,827	3.60%
2017	168,358	5,906,672,072	35,084	34.6	83,257	25,992	3.30%
2018	179,804	6,308,243,536	35,084	35.9	93,546	24,666	3.30%

Sources:
[a] Source Data: McKinney Planning Department
[b] Personal income calculated by multiplying estimated population by per capita personal income.
[c] Source Data: McKinney Independent School District
[d] Source Data: Texas Workforce Commission for month ending September
[e] Source Data: US Census Bureau

CITY OF MCKINNEY, TEXAS
PRINCIPAL EMPLOYERS
CURRENT AND TEN YEARS AGO (UNAUDITED)

TABLE 15

	2018			2009		
Employer	**Employees**	**Rank**	**Percentage of Total City Employment**	**Employees**	**Rank**	**Percentage of Total City Employment**
Raytheon Space & Airborne Systems	2,725	1	2.96%	2,980	1	5.24%
Collin College	2,631	2	2.86%	1,600	3	2.81%
MISD	2,500	3	2.72%	2,223	2	3.91%
Torchmark	1,640	4	1.78%	1,429	4	2.51%
Encore Wire	1,350	5	1.47%	800	10	1.41%
City of McKinney	1,271	6	1.38%	866	9	1.52%
Medical City McKinney	1,000	7	1.09%	950	8	1.67%
Baylor	738	8	0.80%	-		-
Timber Blinds	450	9	0.49%	-		-
Watson & Chalin	350	10	0.38%	-		-
Total	14,655		15.93%	10,848		19.07%

Source: Top Ten Employer data provided by McKinney Economic Development Corporation
Total City Employment provided by Texas Labor Workforce Commission (TWC)

CITY OF MCKINNEY, TEXAS
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES
BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS (UNAUDITED)

TABLE 16

	Fiscal Year									
Function/Program	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
General government	90.5	104.5	102.5	91.0	98.5	101.5	109.8	121.8	124.0	131.0
Police	203.0	208.0	207.0	206.0	219.0	236.0	238.0	244.0	261.0	275.0
Fire	167.2	167.2	166.7	164.5	167.5	171.5	174.5	188.0	191.0	195.0
Libraries	38.7	37.7	34.8	32.8	38.6	38.6	40.0	41.0	41.0	41.0
Development	112.6	105.1	97.0	81.5	82.5	92.0	95.0	96.0	101.5	109.5
Parks and recreation	84.5	81.5	84.0	85.0	87.0	87.0	91.8	147.4	155.9	192.3
Public works	60.7	61.7	61.7	61.7	61.4	66.9	71.1	75.8	74.5	78.5
Water/wastewater	79.7	77.7	74.7	74.7	73.0	77.4	80.6	94.6	103.1	109.5
Surface water drainage	11.0	11.0	11.0	11.0	11.0	14.3	14.3	15.3	16.5	16.5
Solid waste	10.0	12.0	12.0	12.0	12.0	13.0	13.0	13.0	14.5	16.0
Airport *	0.0	0.0	0.0	0.0	0.0	23.0	23.5	23.0	24.0	24.0
Total[a]	857.8	866.3	851.4	820.2	850.5	921.1	951.5	1059.9	1107.0	1188.3

Source: City of McKinney Budget Book

[a] Excludes component units

* FY14 - The Airport component unit was reclassified in to a city enterprise fund

CITY OF MCKINNEY, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS (UNAUDITED)

Function/Program	Fiscal Year 2009	2010	2011	2012
Police				
Number of police officers	161	161	161	161
Number of violations (citations)[a]	30,623	33,729	18,754a	17,366
Fire				
Number of fire fighters	151	151	151	153
Number of fire suppression runs	3,109	3,239	3,598	2,883
Number of EMS runs	6,800	7,100	6,180	6,936
Development Services				
Construction permits issued[b]	849	1,124	1,140	1,433
Estimated valuation[b]	$ 470,911,804	$ 455,355,457	$ 407,386,347	$ 667,398,668
Public Works				
Street maintenance - paved (miles)	9	9	11	15
Street signs repaired/installed	2,500	2,500	1,671	1,260
Parks and Recreation				
Park land and municipal acreage maintained	1,566	1,566	1,708	1,834
Rounds of golf	36,000	35,000	33,064	34,400
Library				
Volumes in collection[c]	177,800	210,000	219,704	227,585
Annual circulation	660,000	900,000	1,095,739	1,179,539
Water and Wastewater				
Number of water customers	40,498	41,853	42,946	44,644
Average daily water consumption (million gallons)	23.0	22.7	28.5	28.5
Maximum storage capacity (million of gallons)	44.0	44.0	44.0	44.0
Solid Waste				
Recyclables collected (tons)[d]	20,155	17,985	18,482	19,651
Solid waste collected (tons)	119,780	121,566	114,936	117,587
Airport[e]				
AvGas Gallons Sold	-	-	-	-
Jet Fuel Gallons Sold	-	-	-	-
Aircraft Operations	-	-	-	-

Source: City Departments

Note:
[a] Basis for issued citation reconciliation adjusted in FY11
[b] Includes residential, commercial, and miscellaneous permits (*i.e.* pools, fences)
[c] Includes books and media.
[d] Recyclable material, by definition, comprises both MRF tons (residential and commercial) and compost tons.
[e] Acquired airport fixed based operations (FBO) in FY14. First full year of airport FBO recorded in FY15.

Fiscal Year					
2013	**2014**	**2015**	**2016**	**2017**	**2018**
187	188	192	193	209	209
14,944	16,966	14,524	13,380	17,504	13,767
159	161	162	177	183	186
3,716	4,571	4,828	3,373	3,700	4,753
6,613	7,170	7,642	9,537	10,333	10,297
1,897	1,680	2,072	2,323	2,758	2,582
$ 790,302,673	$ 687,820,980	$ 972,479,911	$ 1,013,504,432	$ 1,312,108,523	$ 1,111,169,537
13	4	4	3	6	2
1,299	1,750	2,979	1,483	835	1,330
1,834	1,834	1,834	1,857	1,834	1,952
35,121	31,400	28,500	27,314	27,138	23,958
232,814	232,814	223,674	217,402	210,936	209,120
1,205,789	1,205,789	1,401,625	1,640,857	1,741,330	1,820,255
46,791	49,456	51,636	52,922	56,512	58,955
26.7	24.0	25.3	28.8	28.8	32.2
44.0	46.0	48.0	63.0	62.0	63.5
21,675	23,480	19,723	19,991	22,390	28,550
123,928	127,467	138,488	135,425	141,923	148,247
-	-	158,549	186,763	202,756	211,833
-	-	986,105	1,167,799	1,180,926	1,272,211
-	-	105,232	118,684	132,349	154,492

CITY OF MCKINNEY, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS (UNAUDITED)

TABLE 18

Function/Program	Fiscal Year 2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	82	110	120	120	126	141	153	153	144	151
Motorcycle Units	9	8	8	8	7	7	9	9	7	8
Skywatch Towers	-	1	2	2	2	2	2	2	2	2
Trailers	-	-	-	-	-	4	8	8	9	5
Fire										
Stations	7	8	8	8	8	8	8	8	8	9
Public Works										
Streets-Paved (miles)	625	706	723	723	761	729	753	775	863	792
Streets-Graded (miles)	39	16	16	16	16	16	17	17	10	10
Streets-Unimproved (miles)	14	14	14	14	14	3	1	1	3	17
Alleys (miles)	80	78	78	78	71	78	78	73	73	71
Street lights (Including US 75)	4,760	4,760	5,901	5,901	6,147	6,333	6,776	6,790	6,790	7,651
Parks and Recreation										
Park Acreage	2,025	2,025	2,025	2,082	2,432	2,247	2,247	2,310	2,396	2,509
Public Parks	36	36	36	39	40	40	40	41	41	40
Community/Recreation Centers	3	3	3	3	3	3	3	3	4	4
Public Swimming Pools	3	3	3	3	3	3	3	3	4	4
Splash Pads	6	7	7	7	7	7	7	8	8	8
Baseball/Softball Diamonds	27	27	27	27	27	27	27	27	27	27
Tennis Courts	2	2	2	13	13	13	13	13	13	13
Soccer Fields (regulation size)	22	22	22	22	22	22	22	22	22	22
Disc Golf Course	1	1	2	2	2	2	2	2	2	2
Dog Park	-	-	-	-	-	1	1	1	1	1
Skate Park	-	-	-	-	1	1	1	1	1	1
Municipal Golf Course[b]	1	1	1	1	1	1	1	1	1	2
Ice Rink[b]	-	1	1	1	1	1	1	1	1	1
Library	2	2	2	2	2	2	2	2	2	2
Water and Wastewater										
Storage capacity (million gallons)	44	44	44	44	46	46	48	63	63	64
Water Mains (miles)	765	770	787	806	820	1,020	826	868	928	960
Fire Hydrants	7,388	6,688	7,007	7,473	7,734	7,823	8,030	8,384	9,042	9,466
Storm Sewer (miles)	257	257	266	396	406	428	430	450	483	499
Sanitary Sewers (miles)	605	610	630	620	662	672	628	653	693	713
Airport	1	1	1	1	1	1	1	1	1	1
Dedicated airport property (acres)	661	745	745	745	745	745	745	745	774	774
Runway length (ft) x width (ft)	7,001x100	7,001x100	7,001x100	7,002x150	7,002x150	7,002x150	7002x150	7002x150	7002x150	7002x150

Source: City Departments

Note: [a] per Police Department
[b] City owned, privately operated

This publication can be made available upon request in alternative formats, such as, Braille, large print, audiotape or computer disk. Requests can be made by calling 972-547-2694 (Voice) or email. mailto:contact-adacompliance@mckinneytexas.org.

Please allow at least 48 hours for your request to be processed.

McKINNEY™
TEXAS
Unique by nature.℠

www.mckinneytexas.org